



**STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letters of Transmittal	I
Organization Chart	XI
Certificate of Achievement for Excellence in Financial Reporting	XII
 <u>FINANCIAL SECTION</u>	
Auditor's Report	
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Statements - Overview	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General Fund, All Budgeted Special Revenue Funds and Debt Service Fund	6
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units	8
Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units	10
Statement of Changes in Net Assets - Pension Trust and Investment Trust Funds	14
Combined Statement of Current Funds Revenues, Expenditures and Other Changes - Component Units - All College and University Current Funds	15
Combined Statement of Changes in Fund Balances - Component Units - All College and University Funds	16
Notes to the Financial Statements	19
Medicare Supplemental Insurance – Required Supplementary Information One-Year Claim Development Information	63
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:	
General Fund	65
Comparative Balance Sheets	66
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	67

	<u>Page</u>
Comparative Schedules of Revenues by Source	68
Comparative Schedules of Expenditures by Function and Department	69
Comparative Schedules of Expenditures by Object	70
Special Revenue Funds	72
Combining Balance Sheet - All Special Revenue Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	76
Combining Balance Sheet - Other Special Revenue Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Special Revenue Funds	80
Comparative Balance Sheets - Education Fund	82
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Education Fund	83
Comparative Schedules of Expenditures by Object - Education Fund	84
Comparative Balance Sheets - Highway Fund	86
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Highway Fund	87
Comparative Schedules of Revenues by Source - Highway Fund	88
Comparative Schedules of Expenditures by Object - Highway Fund	89
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Budgeted Special Revenue Fund Types	90
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Other Budgeted Special Revenue Fund Types	100
Debt Service Fund	108
Comparative Balance Sheets	109
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	110
Capital Projects Fund	111
Comparative Balance Sheets	112
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	112

	<u>Page</u>
Enterprise Funds	113
Combining Balance Sheet - Enterprise Funds	114
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Enterprise Funds	116
Combining Statement of Cash Flows - Enterprise Funds	118
Internal Service Funds	121
Combining Balance Sheet - Internal Service Funds	122
Combining Statement of Revenues, Expenses and Changes in Fund Equity - Internal Service Funds	124
Combining Statement of Cash Flows - Internal Service Funds	126
Trust and Agency Funds	129
Combining Balance Sheet - All Trust and Agency Funds	130
Combining Balance Sheet - Expendable Trust Funds	132
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds	133
Combining Balance Sheet - Nonexpendable Trust Funds	134
Combining Statement of Revenues, Expenses and Changes in Fund Balances - Nonexpendable Trust Funds	135
Combining Statement of Cash Flows - Nonexpendable Trust Funds	136
Statement of Net Assets - Pension Trust and Investment Trust Funds	137
Combining Balance Sheet - Agency Funds	139
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	140
General Fixed Assets Account Group	142
Schedule of General Fixed Assets by Source	143
Schedule of General Fixed Assets by Function and Activity	144
Schedule of Changes in General Fixed Assets by Function and Activity	145

	<u>Page</u>
General Long-Term Obligations Account Group	146
Schedule of Changes in General Long-Term Obligations	147
Component Units	148
Combining Balance Sheet - Component Units	150
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Units - All Governmental Fund Types	154
Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Component Units - All Proprietary Fund Types	158
Combining Statement of Cash Flows - Component Units - All Proprietary Funds	160
Combining Balance Sheet - Component Units - All College and University Funds	162
Combining Statement of Current Funds Revenues, Expenditures and Other Changes - Component Units - All College and University Current Funds	166
Combining Statement of Changes in Fund Balances - Component Units - All College and University Funds	168
	<u>Schedule</u> <u>Page</u>
Supplementary Schedules	172
Debt Service Requirements to Maturity - General Obligation Bonds	1 173
Summary of Debt Service Requirements to Maturity	2 174
Schedule of Outstanding Debt - All Fund Types and Account Groups	3 175
General Obligation Commercial Paper Outstanding-By Purpose - All Fund Types and Account Groups	4 175
Debt Service Requirements to Maturity - Component Units - Revenue Bonds	5 176
Summary of Debt Service Requirements to Maturity - Component Units	6 178
Schedule of Outstanding Debt - Component Units	7 179

	<u>Table</u>	<u>Page</u>
<u>STATISTICAL AND ECONOMIC DATA</u>		180
Revenues by Source and Transfers In - All Governmental Fund Types	I	181
Expenditures by Function and Transfers Out - All Governmental Fund Types	II	181
Tax Revenues by Source - All Governmental Fund Types	III	182
Description of Tax Sources - All Governmental Fund Types		183
Ratio of Net General Long-Term Debt to Assessed Value and Net Debt Per Capita	IV	184
Computation of Legal Debt Service Margin	V	184
Ratio of Annual Debt Service for General Long-Term Debt to Total Expenditures - All Governmental Fund Types	VI	185
Schedule of Revenue Bond Coverage - Component Units - Tennessee Housing Development Agency and College and University Funds	VII	185
Schedule of Fees/Charges, Legislative Appropriations and Debt Service	VIII	186
Economic Characteristics		188
Index to Securities and Exchange Commission (SEC) Disclosures		194
Acknowledgments		196

INTRODUCTORY SECTION



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285**

**C. WARREN NEEL, Ph.D.
COMMISSIONER**

December 4, 2001

The Honorable Don Sundquist
Governor of the State of Tennessee

I am pleased to submit the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 2001. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the state. All disclosures necessary to enable the reader to gain an understanding of the state's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and the state's organizational chart. The financial section includes the general-purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the general-purpose financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The financial reporting entity of the state includes all the funds and account groups of the primary government as well as all its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including education, health and social services, transportation, law, correction, safety, resources and regulation, and business and economic development.

ECONOMIC CONDITION AND OUTLOOK

The state's economic diversity has improved substantially over the last several years. Investments announced in new and expanding manufacturing businesses exceeded one billion dollars every year since 1983, and exceeded three billion dollars in the last three years. Announced manufacturing capital investments in 2000 were \$4.95 billion. This growth has created 27,013 new jobs in this year alone, and has had a positive effect on employment and the state's economy. Additionally, investments in headquarters, distribution and selected services grew to \$2.1 billion in 2000 and created 14,670 new jobs. For June 2001, the state unemployment rate of 4.5% was under the national average of 4.7%. The financial impact of these events is presented later in this letter. Based on current projections, the state's overall growth is expected to exceed the national average over the next several years. While having a positive impact, this growth also presents significant challenges for the state. If the present level of services is to be maintained and an ambitious program for major improvements in the educational system is to continue to be implemented, the state must continue to conservatively manage its financial resources.

The impressive U.S. economic expansion of the 1990's has ended with the U.S. in a recessionary period. As evidence, the real (inflation-adjusted) gross domestic product increased only .3 percent during the second quarter of calendar year 2001 and decreased .4 percent during the third quarter of 2001. Inflation concerns have given way to concerns about a recession, accordingly the Federal Reserve has sharply reduced interest rates in recent months.

Tennessee's state government will take appropriate steps to ensure that the state is able to successfully manage its finances in the future.

MAJOR INITIATIVES

For the year. The Administration produced a budget to fund the daily operations of state government along with some improvements for education, higher education, TennCare, and an increase in the Revenue Fluctuation Reserve. The budget also presented associated tax legislation to provide sources necessary to fund Tennessee's state government. The Legislature deliberated over the proposed budget until the end of the fiscal year, passing an appropriations act on June 29, 2001. The Legislature then reconvened in July 2001, and passed a second appropriations act that amended the one previously passed. The amended act had no new taxes and continued to use non-recurring revenues to fund the daily state operations. The Governor vetoed the bill, but the Legislature overrode his veto. As a result, all three of the state's credit rating agencies downgraded the state's credit rating to AA. Standard and Poor's has also given the state's credit rating a negative outlook. The Administration will continue to develop a balanced budget to address the state's programmatic needs.

The Administration continues its strategic planning process that it began in 1997. The planning update process identified issues of focus for the remainder of the Sundquist Administration. Executive branch departmental plans align with the statewide plan and become the foundation for the departmental budget requests and assist in prioritizing information systems development projects.

One of the Administration's goals is excellence in education. The Gateway testing program was finalized this year. This program tests high school students' proficiency in reading, math and science. The Governor's reading initiative started with the development of a training component for approximately 60 schools. Accountability is being addressed as a part of the drive for excellence. Forty-eight low performing schools were identified. The Department of Education provided recently retired exemplary educators to the schools to assist them in analyzing areas for improvements. Ninety-eight schools were put on notice that their results were not meeting standards.

Another Administration goal involved economic opportunity. The Department of Transportation continued with its plans to preserve existing infrastructure, connect rural county seats to the interstate highway system, and relieve urban congestion. Also, TDOT is assisting the Department of Finance and Administration in the state's implementation of GASB 34 in using the modified approach for reporting infrastructure beginning with the financial statements for the period ending June 30, 2002. Providing a structure for condition assessments and the evaluation of those assessments should allow more accountability for the use of highway funds and the prioritization of future needs to maintain the state's infrastructure.

Having a responsible and accountable government is another of the Administration's goals. Elements of a responsible and accountable government include becoming more customer-focused and improving processes through the use of technology. Part of this initiative included the installation of a government portal that provides online services to citizens. The state's portal was developed in partnership with an experienced e-government solutions provider, National Information Consortium (NIC). The portal, www.TennesseeAnytime.org, has several applications designed to improve responsiveness to citizens. By making more services and records available online, the state will be creating a more efficient and effective state government that is available to citizens and businesses around the clock, every day. The first application unveiled on the website was a drivers license renewal application. Updates to addresses can also be made online. Another portal application provides TennCare eligibility verification to our healthcare providers, speeding up their filing process dramatically. Each month the portal activity continues to grow. The applications that are being developed will help citizens and businesses interact with state government.

During the past year, the success of TennesseeAnytime has been recognized on a national level. In September of this year, the state received word that TennesseeAnytime had been selected as a finalist in the Best of the Web award sponsored by the Center for Digital Government. In addition, a Brown University report detailed Tennessee's dramatic improvement in "E-government", noting it was the most improved in the nation. During the past year, Tennessee climbed from 28th to fourth in a rating of all states e-government capability.

Another use of technology that improves the effectiveness of government is the development of a financial data warehouse. The Department of Finance and Administration built a financial data warehouse to improve the reporting and analysis of the state's financial information. Revenue and expenditure information has been loaded and is being successfully summarized and retrieved via the web-based system. The project is beginning its third phase of development by adding more financial information to the warehouse. Subsequent phases will add more data that managers need to make informed decisions.

Due to events of September 11, 2001, the Governor has established an Office of Homeland Security. Despite the state's budget problems, the Governor has provided more than \$8 million in additional resources for the Departments of Agriculture, Commerce and Insurance, General Services, Health, Safety and Veteran's Affairs. These additional resources will assist these agencies in increasing lab-testing capabilities, security and providing additional equipment and training.

For the Future: Work will continue on these strategic initiatives through the end of the Administration. The initiatives reflect the issues facing Tennessee today.

Departmental Focus. Technology has been a driving force behind recent changes within the Tennessee Department of Safety (TDOS).

The Department is comprised of almost 1,900 employees who deliver a wide range of services to the public. Directed by Safety Commissioner Mike Greene, TDOS includes the Tennessee Highway Patrol, Commercial Vehicle Enforcement, Capitol Police, Driver License Issuance, Title and Registration, and several other divisions.

One of the most exciting programs is the department's online driver license and change of address application. The application debuted in October of 2000, when Governor Don Sundquist became the first Tennessean to renew a driver license online.

He wasn't the last. Between October 2000 and October 2001, a total of 26,414 Tennessee drivers renewed their licenses online. Almost 24,000 used the application to register a change of address with the Department of Safety.

The renewal application was the State of Tennessee's first online government service offering, and dozens of other services quickly followed at a redesigned services and information portal, TennesseeAnytime.org. The growing list of services reflects the state's continued efforts to offer the best in e-government to its citizens.

Following the introduction of the renewal application, the Department made motor vehicle reports (driving records) available via the Internet in February of this year. Currently, the Department processes requests from companies that have contracted with the state portal provider to access the records. Plans are being made to allow individuals to obtain their records online.

Other technology projects underway at Safety include:

1. An Integrated Voice Response (IVR) System was made available to the public in April of this year. The new system, like the old telephone system, allows customers to obtain general information regarding the Department's services. The IVR goes a step further by allowing the individual to enter a driver license number and receive individualized information about the status of their license or requirements needed in order to reinstate their driving privileges if their license is revoked or suspended. The telephone system gathers the information from the state's driver license database. The customer can listen to the requirements, have them mailed or faxed, or to speak to a driver license examiner if needed.
2. TRUST (Title and Registration User System of Tennessee) will utilize the latest state of the art technologies and techniques. The system is based on internet browser technology, centralized relational databases as well as local synchronized databases. The project encompasses all of Tennessee's 95 counties, linking them together with a network that will guarantee bandwidth to meet the needs of the transaction load and available 99.7 percent of the time. All archive documents will be imaged at county clerk offices and stored on a central servicer with instant access. Internet XML technology will be utilized to move data between the counties and the state, between auto dealers and the county clerks, and between lending institutions and the state.
3. The Driver License Mobile Roving Crew project incorporates a mobile unit equipped with a complete driver license issuance center capability. The unit is wired with a local area network supporting six work stations, has flat screen single unit computers, a Polaroid digital imaging center, an eye test center, and two exam test centers. The mobile unit is equipped with wireless network capability and mobile satellite network capability. Phase one of the project will incorporate technology to support the staff in 12 fixed parking locations, and phase two will allow the unit to function anywhere in the state.

4. The Driver License Digitized Project is set to get underway in the next few months. This project takes Tennessee to the next level with smart card documents. The new driver license will incorporate the latest technology in 2D bar coding. The bar code will contain the demographic information about the holder, a digital copy of the photo, and it has the capability of holding fingerprints for handgun permits.
5. Commercial Vehicle Information System Network project is underway, and will allow Commercial Vehicle Enforcement (CVE) officers to inspect a truck at the roadside with database links to all required commercial safety systems. The project, a first in Tennessee, requires putting mobile computers in each CVE patrol car. In the long term, the Department will build a wireless data/radio network to support the CVE vehicles with satellite network link on each CVE vehicle to support data communications. Officers will be able to fill out inspection forms, issue electronic citations on their car computers; and instantly transmit data to state and national databases. The applications utilized in this project are the result of a joint venture with more than 28 other states, thus standardizing a national approach to commercial vehicle management and control.
6. The Accident Reporting project has received grants from the Governor's Highway Safety Office which will be used to build a new accident reporting system that will include a document scanner and a central database that can be accessed via both the intranet and internet. This system will incorporate a new smart form that eliminates the need for backroom coding, and will eliminate the need to outsource the forms to be keyed. With scanable forms, the officers can simply check the appropriate categories on the form, and thus forms can then be scanned resulting in 70 percent of the accident information being extracted and leaving only 30 percent to be keyed at the Department of Safety. The one-year backlogs on processing accident information will be reduced to within one working month. The local jurisdictions that already have automated systems will be able to transmit their data to the new accident system. Local police jurisdictions will be able to log in to the accident system server, obtain detailed reports of accidents they have worked, and pull up image copies of their accidents for download or print.

Technology improvements continue to take place in every area of business through the Department of Safety. These efforts greatly improve the quality of data and timeliness of posting activity. The Department's goal is to move all of its data input processes to the points of service. As its service providers meet the citizens, they can capture and process all the needed information for the appointed function. This type of automation reduces data input processes, thus freeing up more staff to actually serve the public instead of serving the paperwork.

FINANCIAL INFORMATION

In developing and modifying the state's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluations occur within the above framework. I believe that the state's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgeting Controls. In addition to internal controls, the state maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the legislature. Activities of the general fund, special revenue funds (except the Supreme Court Boards, Fraud and Economic Crime and the Dairy Promotion Board, accounted for as special revenue funds) and debt service fund are included in the annually appropriated budget. Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of available balances, are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 2001.

General Governmental Functions. General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled \$16.7 billion in 2001. Taxes represented 48.5% of general revenues; it is a decrease of 2.6% in the percentage of the total funding over the prior year from 51.1% to 48.5%. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
Taxes	\$ 8,112,402	48.5%	\$ 115,344	1.4%
Licenses, fines, fees and permits	224,294	1.3	19,263	9.4
Interest on investments	92,127	.6	38,308	71.2
Federal	6,184,126	37.0	646,773	11.7
Departmental Services	1,748,165	10.5	235,682	15.6
Other	<u>356,029</u>	<u>2.1</u>	<u>3,846</u>	1.1
	<u>\$16,717,143</u>	<u>100%</u>	<u>\$1,059,216</u>	

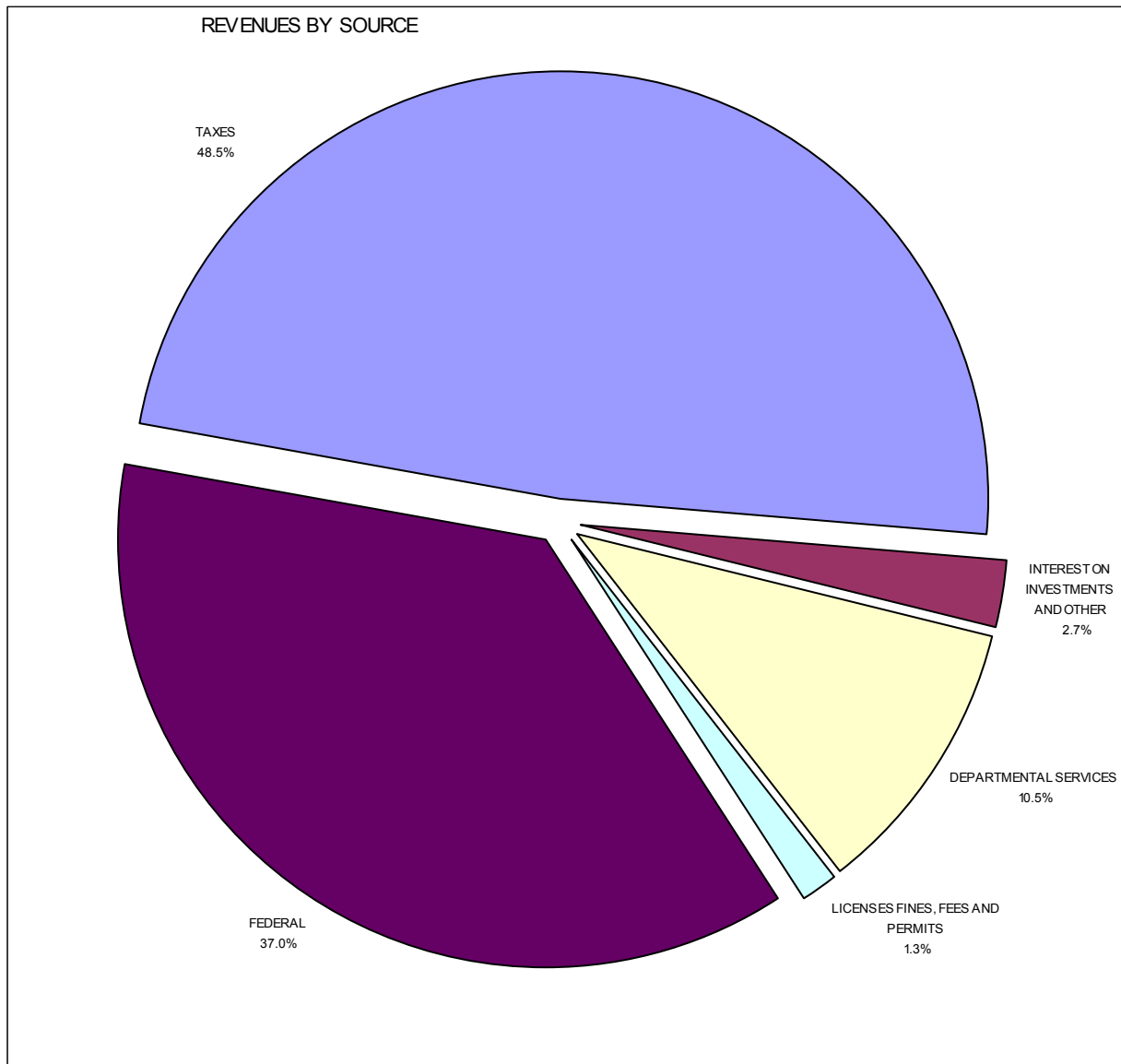
The 9.4% increase in license, fines, fees and permits is primarily due to an increase in collections of \$9.9 million for the regulatory fee collected for enhanced emergency 911 services.

Interest on investments increased by \$38.3 million because more cash was available to invest.

Federal revenue for TennCare increased by some \$588.6 million.

Departmental services increased \$64 million for child support collections and \$91.6 million for drug rebate collections for TennCare.

Presented below is a chart depicting the sources of governmental fund type revenues:



Expenditures for general governmental purposes totaled \$15.5 billion in 2001, a 9.6% increase over the previous year. Changes in expenditures by function from 2000 levels are presented in the following tabulation (expressed in thousands).

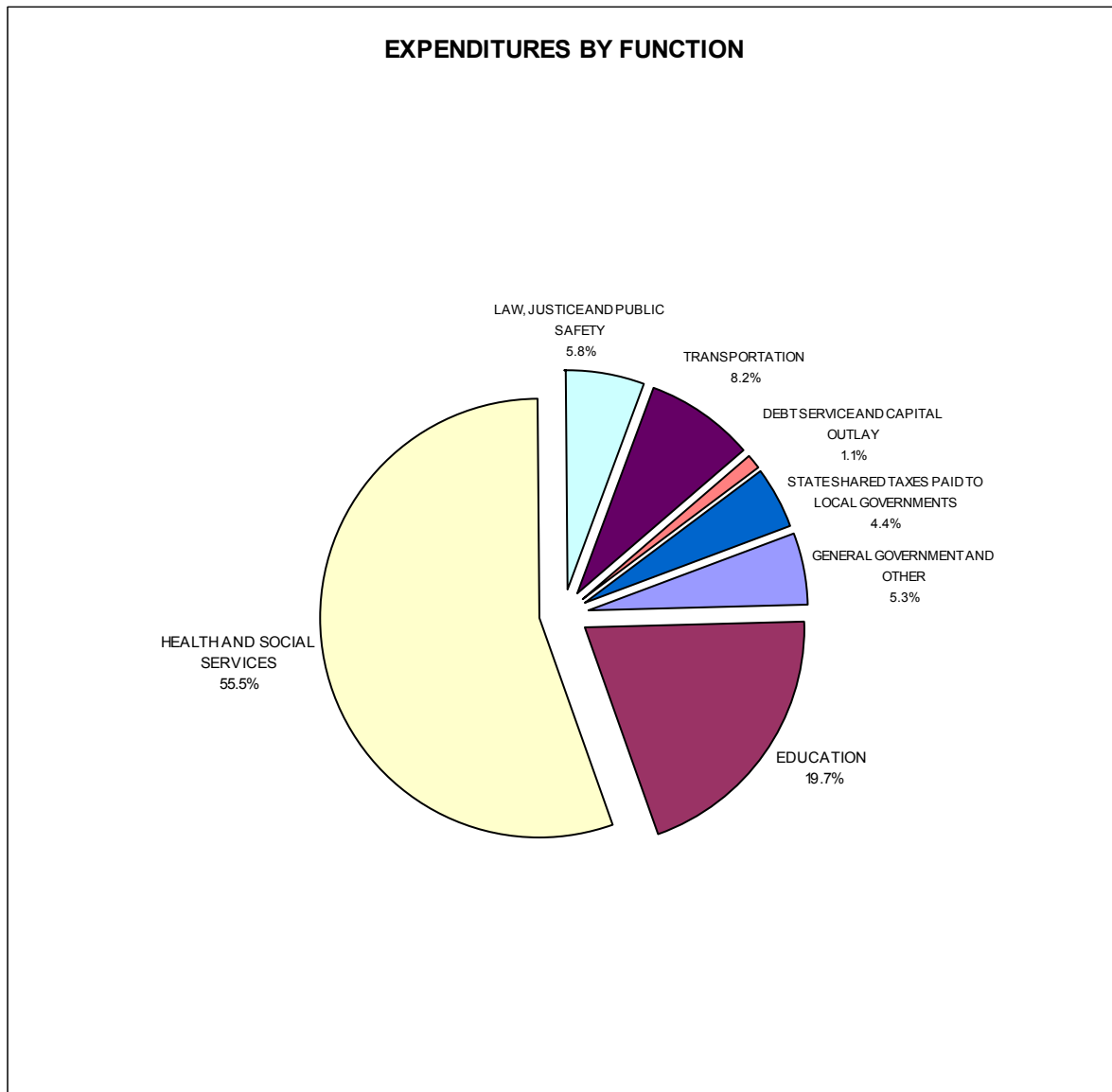
<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
General government	\$ 349,278	2.2%	\$ 19,023	5.8%
Education	3,059,538	19.7	111,961	3.8
Health and social services	8,641,777	55.5	1,194,854	16.0
Law, Justice and public safety	897,805	5.8	25,452	2.9
Recreation and resources development	419,423	2.7	(9,966)	(2.3)
Regulation of business and professions	57,988	.4	8,663	17.6
Transportation	1,269,773	8.2	(1,397)	(.1)
State shared taxes paid to local governments	681,151	4.4	27,162	4.2
Debt service	122,221	.8	(1,562)	(1.3)
Capital outlay	<u>55,679</u>	<u>.3</u>	<u>(15,187)</u>	<u>(21.4)</u>
	<u>\$15,554,633</u>	<u>100%</u>	<u>\$1,359,003</u>	

Health and Social Services increased due to increased expenditures of \$957.8 million in the TennCare program.

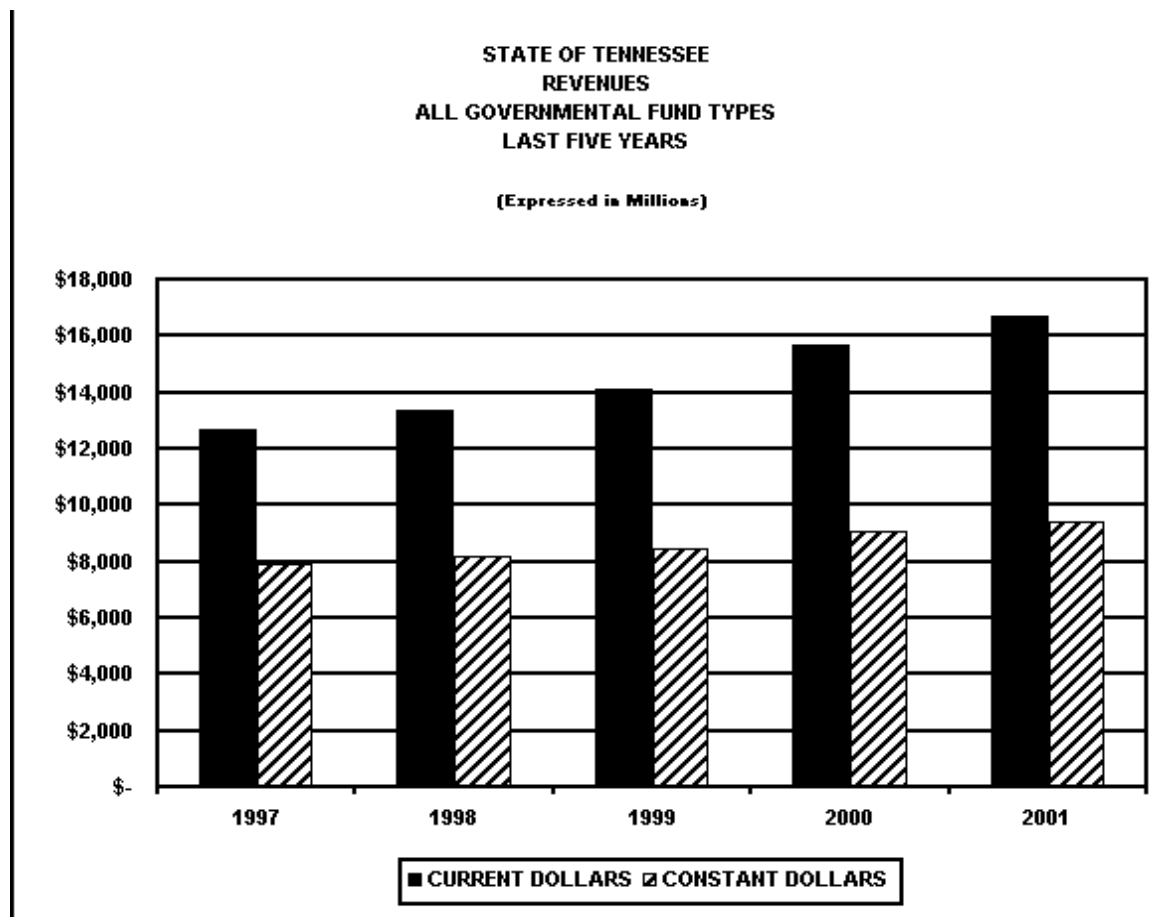
Regulation of Business and Professions increased due to increased expenditures of \$5.1 million for enhanced emergency 911 services.

Capital Outlay decreased 21.4% because fewer projects are being approved by the State Building Commission and certain large projects were completed in 2000.

Presented below is a chart depicting the uses of governmental fund type expenditures by function:

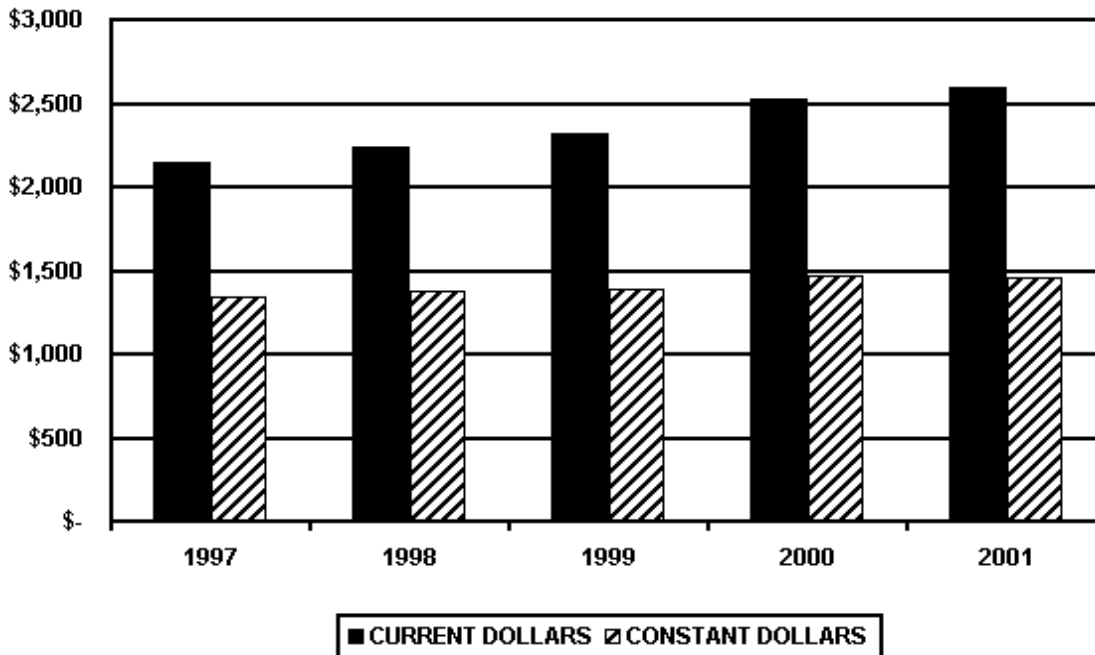


Presented below are tables depicting revenues and expenditures for the last five years on a current dollar and constant dollar basis. In addition, a chart showing per capita expenditures on a current and constant dollar basis is presented.



	1997	1998	1999	2000	2001
CURRENT DOLLARS	\$ 12,671	\$ 13,383	\$ 14,100	\$ 15,658	\$ 16,717
CONSTANT DOLLARS	\$ 7,905	\$ 8,210	\$ 8,484	\$ 9,082	\$ 9,392
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	3.7%	5.6%	5.4%	11.0%	6.8%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	1.4%	3.9%	3.3%	7.1%	3.4%

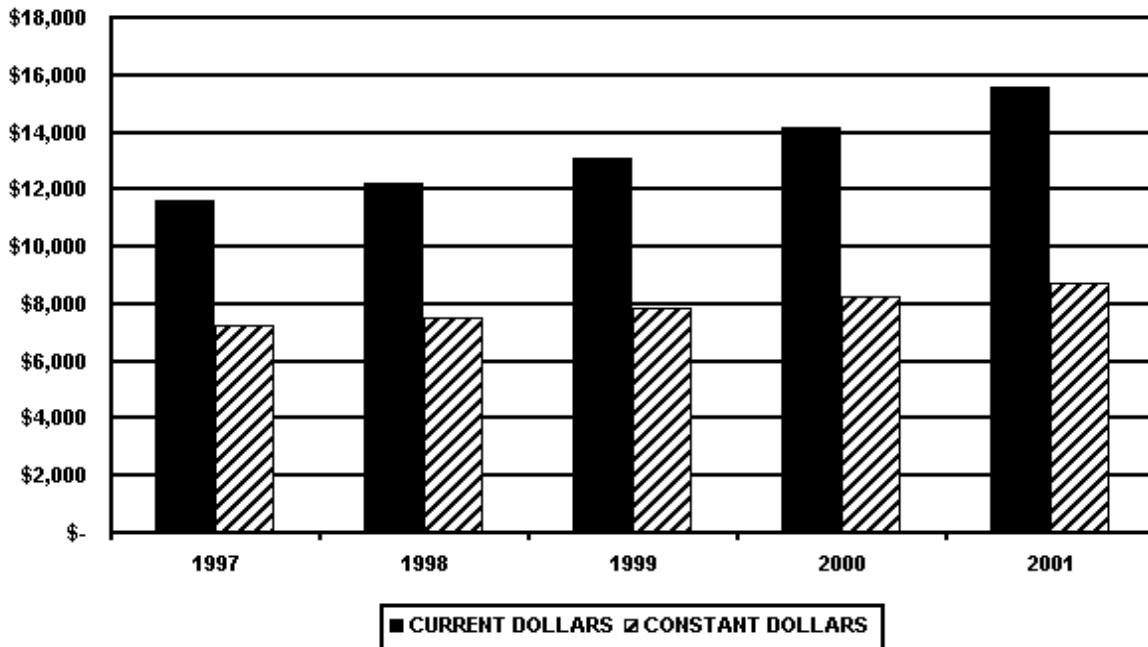
**STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS**



	1997	1998	1999	2000	2001
CURRENT DOLLARS	\$ 2,152	\$ 2,240	\$ 2,319	\$ 2,531	\$ 2,599
CONSTANT DOLLARS	\$ 1,342	\$ 1,374	\$ 1,395	\$ 1,468	\$ 1,460
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	0.7%	4.1%	3.5%	9.1%	2.7%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	-1.6%	2.4%	1.5%	5.2%	-0.5%

**STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS**

(Expressed in Millions)



	1997	1998	1999	2000	2001
CURRENT DOLLARS	\$ 11,599	\$ 12,246	\$ 13,067	\$ 14,196	\$ 15,555
CONSTANT DOLLARS	\$ 7,236	\$ 7,513	\$ 7,862	\$ 8,234	\$ 8,739
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	2.3%	5.6%	6.7%	8.6%	9.6%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	0.0%	3.8%	4.6%	4.7%	6.1%

General Fund Balance. The fund balance of the general fund increased by \$53.4 million in 2001. Of this increase, \$153 million was because of the tobacco settlement.

Proprietary Funds. Combined operating results for the state's enterprise funds remained strong in 2001 and were paced by the insurance activities for local government and local government teacher employees. Operating revenues were \$263.9 million, an increase of \$82.0 million over 2000. Operating expenses increased to \$268.7 million from \$169.3 million, an increase of \$99.4 million.

Combined operating results for the state's internal service funds also remained strong in 2001. Operating revenues and expenses for these cost-reimbursement agencies aggregated \$612.4 million and \$652.0 million, respectively, as compared to 2000 amounts of \$526.3 million and \$540.9 million. The principal internal service operations provide data processing services, third party liability claims processing, agency housing, and employee group insurance.

Pension Plan. Total assets of the state's pension trust fund reached \$24.5 billion at June 30, 2001. The net assets held in trust for pension benefits total \$23.7 billion.

Debt Administration. At June 30, 2001, the state had a number of debt issues outstanding. These issues included \$898.7 million of general obligation bonds, \$17.4 million of enterprise fund debt with state commitment, and \$153.7 million of internal service fund debt with state commitment. Tennessee has the following bond rating on general obligation bond issues: Moody's Investors Service (Aa2), Standard and Poor's Corporation (AA), and Fitch Investors Service, Inc. (AA). Under current state statutes, the state's general obligation bonded debt issuances are subject to an annual legal debt service limitation based on a pledged portion of certain current year revenues. As of June 30, 2001, the state's annual legal debt service limit of \$534.7 million was well above the debt service required of \$131.6 million, with a legal debt service margin of \$403.1 million. Debt per capita equaled \$189.78, and the ratio of net general long-term bonded debt to assessed property valuation was 1.39 percent.

Cash Management. The State Treasurer has pursued an aggressive cash management and investment program. One aspect of this, which we believe is unique to Tennessee, is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, wire services in the federal system are available via a terminal located in the state's investment offices. This provides the state flexibility in investing and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 2001, uncommitted state funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (32%); repurchase agreements (2%); commercial paper (32%); U.S. Treasuries (33%); and money market accounts (1%). The composite average yield on these investments was 5.94%, up from 5.66% last year.

Risk Management. In 1989, the state initiated a loss prevention program. A loss prevention specialist has been employed to assist the state in analyzing the underlying cause of losses and in recommending measures to minimize the reoccurrence of similar losses. The state purchases commercial insurance for real property, flood, earthquake and builder's risk losses. The insurance policy deductions vary from \$1 million to \$5 million by type of risk coverage. A fund balance designation of \$5 million for deductibles and \$3.731 million for incurred losses has been established in the General Fund.

OTHER INFORMATION

Securities and Exchange Commission Disclosures. The State Funding Board, the Tennessee State School Bond Authority, and the Tennessee Local Development Authority have each entered into Continuing Disclosure Undertakings with respect to certain debt issues. These Undertakings were made for the benefit of the holders of the debt pursuant to U.S. Securities and Exchange Commission Rule 15c2-12. The issuers have covenanted to provide certain annual financial information, including audited financial statements, as well as, certain additional financial and operating data. With the exceptions of information related to Tennessee Consolidated Retirement System and of certain local government financial information related to the Tennessee Local Development Authority provided to the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) under separate cover, financial and operating data required pursuant to the Undertakings is located in this Comprehensive Annual Financial Report. The reader should use the index located at the end of this report to identify the specific page where the information is presented.

Independent Audit. State statutes require an annual audit of all fund types and account groups of the state. The accompanying financial statements have been examined by the Office of the Comptroller of the Treasury, Division of State Audit. Their examination was conducted in accordance with government auditing standards generally accepted in the United States of America, and their opinion appears elsewhere herein.

In conjunction with this examination, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984, as amended, and Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. The audit included tests of compliance with applicable federal laws and regulations, as well as, a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 2000. This is the twenty-second consecutive year that the state has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the Tennessee Consolidated Retirement System has received this award for thirteen consecutive years for its Comprehensive Annual Financial Report.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedication of the entire staff of the Division of Accounts in the Department of Finance and Administration. This report could not have been prepared without the cooperation of all state agencies and branches.

Respectfully submitted,

/s/ C. Warren Neel

C. Warren Neel, Ph.D., Commissioner
Department of Finance and Administration

CWN/jmc



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

December 4, 2001

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Don Sundquist, Governor
of the State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 2001.

Respectfully,

/s/ John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/jmc

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

**SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

Independent Auditor's Report

December 4, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying general purpose financial statements of the State of Tennessee as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Tennessee as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types, nonexpendable trust funds, and proprietary component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2C to the general purpose financial statements, the State of Tennessee implemented GASB Statements 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and 36, *Recipient Reporting for Certain Shared Nonexchange Revenue*. In addition, the state changed its accounting policy regarding the definition of cash and cash equivalents and changed the Grain Indemnity fund from a component unit to an enterprise fund.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory section and the statistical and economic data, listed in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

In accordance with *Government Auditing Standards*, we will issue our report dated December 4, 2001, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants in the *Tennessee Single Audit Report*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

/s/ Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2001
(With comparative totals for June 30, 2000)
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>ASSETS AND OTHER DEBITS</u>				
CASH AND CASH EQUIVALENTS	\$ 616,034	\$ 512,249	\$ 1,217	\$ 214,502
CASH ON DEPOSIT WITH FISCAL AGENT				
INVESTMENTS		1,423		
RECEIVABLES (Note 2)	739,558	492,481	3,429	722
ADVANCES TO COMPONENT UNITS(Note 2)	170		13,800	
DUE FROM OTHER FUNDS(Note 2)	254,265	6,569		
DUE FROM PRIMARY GOVERNMENT(Note 2)				
DUE FROM COMPONENT UNITS(Note 2)	2,978			566
INVENTORIES, at cost		6,468		
FOOD STAMPS				
PREPAYMENTS	70	20		
DEFERRED CHARGES AND OTHER				
LAND, at cost				
STRUCTURES AND IMPROVEMENTS, at cost				
MACHINERY AND EQUIPMENT, at cost				
LESS-ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS				
RESTRICTED ASSETS:				
CASH AND CASH EQUIVALENTS				
INVESTMENTS				
TOTAL ASSETS AND OTHER DEBITS	\$ 1,613,075	\$ 1,019,210	\$ 18,446	\$ 215,790
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUALS	\$ 397,898	\$ 164,079	\$ 1,228	\$ 13,850
SECURITIES LENDING COLLATERAL				
DUE TO OTHER FUNDS(Note 2)	15,289	245,951	11	
DUE TO PRIMARY GOVERNMENT(Note 2)				
DUE TO COMPONENT UNITS(Note 2)	5,726			6,909
ADVANCE FROM PRIMARY GOVERNMENT(Note 2)				
ADVANCES FROM COMPONENT UNITS(Note 2)				
COMMERCIAL PAPER PAYABLE (Note 3)				
NOTES PAYABLE(Note 3)				
BONDS PAYABLE(Note 3)				
LEASE OBLIGATIONS PAYABLE				
DEFERRED REVENUE	197,995	11,790	13,800	
OTHER	87	1,390		
TOTAL LIABILITIES	616,995	423,210	15,039	20,759
FUND EQUITY AND OTHER CREDITS(Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENTS IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR LOCAL DEVELOPMENT LOANS				
RESERVED FOR HOUSING DEVELOPMENT LOANS				
RESERVED FOR FOUNDATION				
UNRESERVED				
FUND BALANCES(Note 2):				
RESERVED FOR:				
RELATED ASSETS	30,620	12,945		
ENCUMBRANCES AND CONTRACTS	8,477	179,613		63,198
CONTINUING APPROPRIATIONS	333,108	21,465		
OTHER SPECIFIC PURPOSES	161,911	381,874		
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	178,000			
DESIGNATED FOR HIGHWAY CONSTRUCTION		103		
DESIGNATED FOR DEBT SERVICE			3,407	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	283,839			
UNDESIGNATED	125			131,833
TOTAL FUND EQUITY AND OTHER CREDITS	996,080	596,000	3,407	195,031
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 1,613,075	\$ 1,019,210	\$ 18,446	\$ 215,790

See accompanying Notes to the Financial Statements

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	(MEMORANDUM ONLY)	COMPONENT UNITS	TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY			PRIMARY GOVERNMENT		REPORTING ENTITY	
\$		\$			\$	\$	JUNE 30, 2001	JUNE 30, 2000
145,639	253,926	2,106,422			3,849,989	1,191,831	5,041,820	4,199,043
		817,254			817,254	1,533	818,787	938,142
		24,296,481			24,297,904	1,063,979	25,361,883	25,716,440
371,180	564	788,412			2,396,346	1,964,134	4,360,480	4,459,287
					13,970	362,537	376,507	345,090
	7	10,700			271,541	17,640	289,181	275,964
						14,685	14,685	17,376
5	197	4,104			7,850	23,286	31,136	27,494
16	2,772				9,256	16,425	25,681	26,383
								498
	427				517	6,661	7,178	7,337
91	210				301	45,563	45,864	45,854
	54,510		\$ 181,069		235,579	100,286	335,865	308,003
	405,928		1,180,979		1,586,907	2,319,542	3,906,449	3,903,052
	221,827		248,808		470,635	1,015,280	1,485,915	1,433,581
	(276,426)				(276,426)	(3,127)	(279,553)	(260,945)
	3,087		61,602		64,689	213,448	278,137	162,780
				\$ 3,407	3,407		3,407	2,750
				1,427,569	1,427,569	26,886	1,454,455	1,317,522
						3,344	3,344	1,663
						22,191	22,191	21,561
\$ 516,931	\$ 667,029	\$ 28,023,373	\$ 1,672,458	\$ 1,430,976	\$ 35,177,288	\$ 8,406,124	\$ 43,583,412	\$ 42,948,875
\$ 35,588	\$ 139,034	\$ 1,137,469		\$ 291,306	\$ 2,180,452	\$ 363,368	\$ 2,543,820	\$ 2,012,912
		113,686			113,686		113,686	
76	236	9,978			271,541	17,640	289,181	275,964
						7,850	7,850	7,694
	4	2,046			14,685	23,286	37,971	37,176
						13,970	13,970	14,980
	9,485					362,537	362,537	330,110
				240,515	250,000	60,277	310,277	351,200
				-		154,423	154,423	78,170
17,213	150,747			898,709	1,066,669	2,269,881	3,336,550	3,212,868
	116			446	562	61	623	905
787	19,218	5,714			249,304	96,479	345,783	312,818
		162,538			164,015	132,574	296,589	396,473
53,664	318,840	1,431,431		1,430,976	4,310,914	3,502,346	7,813,260	7,031,270
337,834	209,643		\$ 1,672,458		547,477	12,664	560,141	551,248
					1,672,458	3,256,122	4,928,580	4,784,744
						72,118	72,118	73,112
						6,000	6,000	6,000
						52,705	52,705	56,426
						78	78	80
125,433	138,546				263,979	260,368	524,347	485,001
					43,565	78,148	121,713	74,651
					251,288	22,498	273,786	311,199
					354,573		354,573	318,271
		26,591,973			27,135,758	802,120	27,937,878	28,513,970
					178,000		178,000	165,100
					103		103	58
					3,407		3,407	2,750
		725			725	18,924	19,649	19,711
						315,640	315,640	287,925
					283,839		283,839	206,214
		(756)			131,202	6,393	137,595	61,145
463,267	348,189	26,591,942	1,672,458		30,866,374	4,903,778	35,770,152	35,917,605
\$ 516,931	\$ 667,029	\$ 28,023,373	\$ 1,672,458	\$ 1,430,976	\$ 35,177,288	\$ 8,406,124	\$ 43,583,412	\$ 42,948,875

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
REVENUES:					
TAXES	\$ 3,704,038	\$ 4,165,064	\$ 243,300		\$ 284,281
LICENSES, FINES, FEES, AND PERMITS	100,851	120,916	2,527		
INTEREST ON INVESTMENTS	77,488	14,639			61,011
FEDERAL	5,159,378	1,022,822		\$ 1,926	28,701
DEPARTMENTAL SERVICES	1,684,618	55,588		7,959	
OTHER	344,334	9,740	1,955		8,568
TOTAL REVENUES	11,070,707	5,388,769	247,782	9,885	382,561
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	332,990	16,288			2,872
EDUCATION		3,059,538			
HEALTH AND SOCIAL SERVICES	8,641,777				507,579
LAW, JUSTICE AND PUBLIC SAFETY	893,686	4,119			
RECREATION AND RESOURCES DEVELOPMENT	267,460	151,963			
REGULATION OF BUSINESS AND PROFESSIONS	49,377	8,611			
TRANSPORTATION		1,269,773			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	406,312	274,839			
DEBT SERVICE			122,221		
CAPITAL OUTLAY				55,679	
TOTAL EXPENDITURES	10,591,602	4,785,131	122,221	55,679	510,451
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	479,105	603,638	125,561	(45,794)	(127,890)
OTHER FINANCING SOURCES(USES):					
BOND, NOTE AND COMMERCIAL PAPER PROCEEDS				223,408	
COMMERCIAL PAPER AND NOTES REDEEMED				(79,160)	
PREMIUM ON BOND SALES			586		
OPERATING TRANSFERS FROM:					
OTHER FUNDS	40,503	463,699	5,610	58,089	
PRIMARY GOVERNMENT					
OPERATING TRANSFERS TO:					
OTHER FUNDS	(448,958)	(1,326)	(131,100)	(1,638)	(613)
COMPONENT UNITS	(47,991)	(1,042,679)		(66,419)	
TOTAL OTHER FINANCING SOURCES(USES)	(456,446)	(580,306)	(124,904)	134,280	(613)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	22,659	23,332	657	88,486	(128,503)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	19,391				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	42,050	23,332	657	88,486	(128,503)
FUND BALANCE, JULY 1	942,713	572,947	2,750	106,545	1,011,708
PRIOR PERIOD ADJUSTMENT	19,916				
FUND BALANCE (Restated), JULY 1	962,629	572,947	2,750	106,545	1,011,708
EQUITY TRANSFERS TO OTHER FUNDS	(8,599)	(279)			
FUND BALANCE, JUNE 30 (Note 2)	\$ 996,080	\$ 596,000	\$ 3,407	\$ 195,031	\$ 883,205

See accompanying Notes to the Financial Statements

(MEMORANDUM ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY FOR THE YEAR ENDED	
		JUNE 30, 2001	JUNE 30, 2000
\$ 8,396,683		\$ 8,396,683	\$ 8,288,839
224,294	\$ 8,724	233,018	207,698
153,138	4,711	157,849	120,854
6,212,827	16,262	6,229,089	5,575,402
1,748,165	5,083	1,753,248	1,516,167
364,597	511	365,108	361,420
<u>17,099,704</u>	<u>35,291</u>	<u>17,134,995</u>	<u>16,070,380</u>
352,150		352,150	332,661
3,059,538	45,749	3,105,287	2,983,157
9,149,356	47,670	9,197,026	7,832,385
897,805		897,805	872,353
419,423	13,818	433,241	438,046
57,988		57,988	49,325
1,269,773		1,269,773	1,271,170
681,151		681,151	653,989
122,221		122,221	123,783
55,679		55,679	70,866
<u>16,065,084</u>	<u>107,237</u>	<u>16,172,321</u>	<u>14,627,735</u>
<u>1,034,620</u>	<u>(71,946)</u>	<u>962,674</u>	<u>1,442,645</u>
223,408		223,408	263,146
(79,160)		(79,160)	(197,728)
586		586	
567,901	79,728	567,901	472,275
		79,728	62,354
(583,635)		(583,635)	(498,325)
<u>(1,157,089)</u>	<u></u>	<u>(1,157,089)</u>	<u>(1,112,908)</u>
<u>(1,027,989)</u>	<u>79,728</u>	<u>(948,261)</u>	<u>(1,011,186)</u>
6,631	7,782	14,413	431,459
<u>19,391</u>	<u></u>	<u>19,391</u>	<u></u>
<u>26,022</u>	<u>7,782</u>	<u>33,804</u>	<u>431,459</u>
2,636,663	85,483	2,722,146	2,303,524
19,916	7,530	27,446	(4,155)
2,656,579	93,013	2,749,592	2,299,369
<u>(8,878)</u>	<u></u>	<u>(8,878)</u>	<u>(8,682)</u>
<u>\$ 2,673,723</u>	<u>\$ 100,795</u>	<u>\$ 2,774,518</u>	<u>\$ 2,722,146</u>

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
GENERAL FUND, ALL BUDGETED SPECIAL REVENUE FUNDS AND DEBT SERVICE FUND
FOR FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 930,994	\$ 930,994	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED	1,893	1,893	
CONTRACT RESERVES REAPPROPRIATED			
PRIOR PERIOD ADJUSTMENT	19,916	19,916	
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	19,391	19,391	
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	972,194	972,194	
REVENUES:			
TAXES	3,692,205	3,704,038	\$ 11,833
LICENSES, FINES, FEES, AND PERMITS	91,998	100,851	8,853
INTEREST ON INVESTMENTS	42,000	77,488	35,488
FEDERAL	5,597,518	5,159,378	(438,140)
DEPARTMENTAL SERVICES	1,660,801	1,684,618	23,817
OTHER	16,203	344,334	328,131
OTHER FINANCING SOURCES	40,503	40,503	
TOTAL SOURCES OF FINANCIAL RESOURCES	12,113,422	12,083,404	(30,018)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
GENERAL GOVERNMENT			
LEGISLATIVE	33,922	25,031	8,891
SECRETARY OF STATE	35,273	27,612	7,661
COMPTROLLER	49,785	46,872	2,913
TREASURER	28,880	23,883	4,997
GOVERNOR	4,017	3,613	404
COMMISSIONS	80,845	71,780	9,065
FINANCE AND ADMINISTRATION	72,639	55,910	16,729
PERSONNEL	12,153	9,217	2,936
GENERAL SERVICES	17,885	16,115	1,770
REVENUE	60,987	58,536	2,451
MISCELLANEOUS APPROPRIATIONS	23,746	15,765	7,981
EDUCATION			
HEALTH AND SOCIAL SERVICES			
VETERANS AFFAIRS	2,869	2,704	165
LABOR AND WORKFORCE DEVELOPMENT	202,658	163,287	39,371
TENNCARE	5,877,265	5,488,798	388,467
MENTAL HEALTH AND MENTAL RETARDATION	678,683	633,071	45,612
HEALTH	386,482	353,467	33,015
HUMAN SERVICES	1,651,805	1,585,702	66,103
CHILDREN'S SERVICES	455,540	416,325	39,215
LAW, JUSTICE AND PUBLIC SAFETY			
JUDICIAL	185,642	178,790	6,852
CORRECTION	468,199	421,737	46,462
PROBATION AND PAROLE	54,326	51,991	2,335
MILITARY	57,123	50,098	7,025
BUREAU OF CRIMINAL INVESTIGATION	41,919	37,290	4,629
SAFETY	148,282	130,636	17,646
RECREATION AND RESOURCE DEVELOPMENT			
AGRICULTURE	48,626	44,539	4,087
TOURIST DEVELOPMENT	12,411	11,931	480
ENVIRONMENT AND CONSERVATION	191,923	143,921	48,002
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	100,275	65,714	34,561
REGULATION OF BUSINESS AND PROFESSIONS			
COMMERCE AND INSURANCE	49,596	41,852	7,744
FINANCIAL INSTITUTIONS	8,097	7,754	343
TRANSPORTATION			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	406,312	406,312	
DEBT SERVICE			
OTHER FINANCING USES	505,548	505,548	
TOTAL USES OF FINANCIAL RESOURCES	11,953,713	11,095,801	857,912
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 159,709	\$ 987,603	\$ 827,894

See accompanying Notes to the Financial Statements

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 241,138	\$ 241,138		\$ 2,750	\$ 2,750	
364	364				
321,945	321,945				
563,447	563,447		2,750	2,750	
4,315,562	4,163,691	\$ (151,871)	243,300	243,300	\$
86,498	117,826	31,328	2,700	2,527	(173)
220	14,470	14,250			
2,733,665	1,022,822	(1,710,843)			
76,878	55,554	(21,324)		1,955	1,955
	9,690	9,690			
463,699	463,699		6,196	6,196	
8,239,969	6,411,199	(1,828,770)	254,946	256,728	1,782
10,233	9,774	459			
7,357	6,434	923			
3,108,024	3,059,424	48,600			
74	69	5			
1,486	1,134	352			
4,987	4,141	846			
93,114	69,697	23,417			
73,707	62,853	10,854			
18,292	15,242	3,050			
13,138	8,616	4,522			
3,322,942	1,574,462	1,748,480			
274,839	274,839				
			257,008	122,221	134,787
1,044,284	1,044,284		131,100	131,100	
7,972,477	6,130,969	1,841,508	388,108	253,321	134,787
\$ 267,492	\$ 280,230	\$ 12,738	\$ (133,162)	\$ 3,407	\$ 136,569

STATE OF TENNESSEE
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR FISCAL YEAR ENDED JUNE 30, 2001
 (With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST
OPERATING REVENUES:			
CHARGES FOR SERVICES	\$ 14,735	\$ 328,159	\$ 625
CONTRIBUTIONS			(6,611)
INVESTMENT INCOME	6,062		
PREMIUMS	243,105	284,209	
OTHER	2	38	1,000
TOTAL OPERATING REVENUES	263,904	612,406	(4,986)
OPERATING EXPENSES:			
PERSONAL SERVICES	868	30,384	
CONTRACTUAL SERVICES	24,896	193,005	
MATERIALS AND SUPPLIES	840	46,790	
RENTALS AND INSURANCE	6,491	40,970	
INTEREST	943		
DEPRECIATION AND AMORTIZATION	10	30,227	
BENEFITS	232,714	307,011	
NURSING HOME SERVICES			
OTHER	1,983	3,645	7,569
TOTAL OPERATING EXPENSES	268,745	652,032	7,569
OPERATING INCOME(LOSS)	(4,841)	(39,626)	(12,555)
NONOPERATING REVENUES(EXPENSES)	17,981	(1,326)	
INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS	13,140	(40,952)	(12,555)
OPERATING TRANSFERS FROM:			
OTHER FUNDS	6,601	8,881	252
PRIMARY GOVERNMENT			
OPERATING TRANSFERS TO:			
COMPONENT UNITS	(25)		
INCOME BEFORE EXTRAORDINARY ITEMS	19,716	(32,071)	(12,303)
EXTRAORDINARY ITEMS(Note 3)			
NET INCOME/CHANGE IN RETAINED EARNINGS	19,716	(32,071)	(12,303)
OTHER CHANGES IN FUND EQUITY:			
EQUITY TRANSFERS OUT		(15)	
EQUITY TRANSFERS IN	5,675	3,218	
NET CHANGE IN FUND EQUITY	25,391	(28,868)	(12,303)
FUND EQUITY, JULY 1(Note 2)	437,876	370,681	235,882
CHANGE IN ACCOUNTING PRINCIPLE PRIOR PERIOD ADJUSTMENT		6,376	
FUND EQUITY(Restated), JULY 1 (Note 2)	437,876	377,057	235,882
FUND EQUITY, JUNE 30	\$ 463,267	\$ 348,189	\$ 223,579

See accompanying Notes to the Financial Statements

TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY FOR THE YEAR ENDED	
		JUNE 30, 2001	JUNE 30, 2000
\$ 342,894	\$ 147,481	\$ 490,375	\$ 447,437
625		625	668
(549)	58,796	58,247	54,024
527,314		527,314	389,374
1,040	1,204	2,244	980
<u>871,324</u>	<u>207,481</u>	<u>1,078,805</u>	<u>892,483</u>
31,252	1,862	33,114	28,832
217,901	6,985	224,886	201,841
47,630	157	47,787	42,329
47,461	233	47,694	47,767
943	133,826	134,769	126,102
30,237	1,500	31,737	28,316
539,725		539,725	365,308
	10,230	10,230	9,421
13,197	3,196	16,393	16,492
<u>928,346</u>	<u>157,989</u>	<u>1,086,335</u>	<u>866,408</u>
(57,022)	49,492	(7,530)	26,075
<u>16,655</u>	<u>(8,711)</u>	<u>7,944</u>	<u>12,003</u>
(40,367)	40,781	414	38,078
15,734		15,734	26,050
	25	25	25
<u>(25)</u>		<u>(25)</u>	<u>(25)</u>
(24,658)	40,806	16,148	64,128
<u>(183)</u>	<u>(183)</u>	<u>(183)</u>	<u>(1,256)</u>
(24,658)	40,623	15,965	62,872
(15)		(15)	(4)
8,893		8,893	8,686
<u>(15,780)</u>	<u>40,623</u>	<u>24,843</u>	<u>71,554</u>
1,044,439	363,310	1,407,749	1,340,922
6,376		6,376	(11,194)
<u>1,050,815</u>	<u>363,310</u>	<u>1,414,125</u>	<u>1,336,195</u>
\$ <u>1,035,035</u>	\$ <u>403,933</u>	\$ <u>1,438,968</u>	\$ <u>1,407,749</u>

STATE OF TENNESSEE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 251,431	\$ 148,833	
RECEIPTS FROM INTERFUND SERVICES PROVIDED	82	508,117	
OTHER RECEIPTS	3	9	\$ 1,625
PAYMENTS TO SUPPLIERS	(256,934)	(567,160)	
PAYMENTS TO EMPLOYEES	(908)	(29,999)	
PAYMENTS FOR ACQUISITION OF MORTGAGES			
PAYMENTS FOR INTERFUND SERVICES USED	(3,003)	(45,941)	(185)
OTHER PAYMENTS			(7,422)
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	(9,329)	13,859	(5,982)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
OPERATING GRANTS RECEIVED	15,660		
OPERATING GRANTS PAID			
NEGATIVE CASH BALANCE IMPLICITLY FINANCED	71		
NEGATIVE CASH BALANCE IMPLICITLY REPAID		(2)	
PROCEEDS FROM SALE OF NOTES AND BONDS			
PROCEEDS FROM SALE OF COMMERCIAL PAPER			
BOND ISSUANCE COST			
CALL PREMIUMS PAID			
PAYMENTS TO REFUNDING ESCROW			
OPERATING TRANSFERS FROM OTHER FUNDS	6,601	8,881	252
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT			
OPERATING TRANSFERS TO COMPONENT UNITS	(25)		
EQUITY TRANSFERS IN	5,675	3,218	
EQUITY TRANSFERS OUT		(15)	
TAX REVENUES RECEIVED		3	
PRINCIPAL PAYMENTS	(3,125)		
INTEREST PAID	(1,004)		
SUBSIDY TO BORROWERS	(129)		
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	23,724	12,085	252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
PURCHASE OF FIXED ASSETS		(32,926)	
BOND, NOTE AND COMMERCIAL PAPER PROCEEDS		49,406	
PROCEEDS FROM SALE OF FIXED ASSETS		835	
BOND ISSUANCE COST		(66)	
PRINCIPAL PAYMENTS		(53,560)	
INTEREST PAID		(13,056)	
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(49,367)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
LOANS ISSUED	(58,238)		
COLLECTION OF LOAN PRINCIPAL	18,364		
PURCHASE OF INVESTMENTS			(89,183)
PROCEEDS FROM INVESTMENTS			94,156
INVESTMENT INCOME RECEIVED			8,450
INTEREST RECEIVED	21,444	11,204	270
NET CASH FROM(USED FOR) INVESTING ACTIVITIES	(18,430)	11,204	13,693
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,035)	(12,219)	7,963
CASH AND CASH EQUIVALENTS , JULY 1	149,674	266,145	13,994
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 145,639	\$ 253,926	\$ 21,957

See accompanying Notes to the Financial Statements

TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY)	
PRIMARY GOVERNMENT	COMPONENT UNITS	REPORTING ENTITY FOR THE YEAR ENDED	
		JUNE 30, 2001	JUNE 30, 2000
\$ 400,264	\$ 260,007	\$ 660,271	\$ 571,046
508,199		508,199	470,489
1,637	7,433	9,070	1,792
(824,094)	(8,471)	(832,565)	(720,179)
(30,907)	(7,429)	(38,336)	(34,404)
	(116,946)	(116,946)	(420,922)
(49,129)		(49,129)	(39,227)
(7,422)	(12,440)	(19,862)	(15,325)
(1,452)	122,154	120,702	(186,730)
15,660	63,891	79,551	59,578
	(77,544)	(77,544)	(52,095)
71		71	114
(2)	(895)	(897)	(5,254)
	369,443	369,443	595,730
	45,050	45,050	37,050
	(1,408)	(1,408)	(1,132)
			(65)
			(5,996)
15,734		15,734	26,050
	25	25	25
(25)		(25)	(25)
8,893		8,893	8,682
(15)		(15)	
3		3	3
(3,125)	(342,336)	(345,461)	(517,403)
(1,004)	(127,850)	(128,854)	(111,511)
(129)	(2,375)	(2,504)	(2,051)
36,061	(73,999)	(37,938)	31,700
(32,926)	(170)	(33,096)	(41,009)
49,406		49,406	38,754
835		835	1,104
(66)		(66)	
(53,560)	(160)	(53,720)	(41,867)
(13,056)	(341)	(13,397)	(8,656)
(49,367)	(671)	(50,038)	(51,674)
(58,238)	(75,743)	(133,981)	(124,920)
18,364	29,433	47,797	139,845
(89,183)	(409,702)	(498,885)	(423,907)
94,156	584,099	678,255	367,365
8,450		8,450	9,249
32,918	65,461	98,379	94,030
6,467	193,548	200,015	61,662
(8,291)	241,032	232,741	(145,042)
429,813	173,698	603,511	748,553
\$ 421,522	\$ 414,730	\$ 836,252	\$ 603,511

(Continued on Next Page)

(Continued from previous page)

STATE OF TENNESSEE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ (4,841)	\$ (39,626)	\$ (12,555)
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	10	30,227	
LOSS ON DISPOSAL OF FIXED ASSETS		670	
BOND ISSUANCE COST		66	
INVESTMENT INCOME	(6,062)		6,881
CHARGES FOR SERVICES	(13,069)		
INTEREST INCOME			(270)
INTEREST EXPENSE	943		
SUBSIDY TO BORROWERS	139		
MISCELLANEOUS NONOPERATING LOSS			
CHANGES IN ASSETS AND LIABILITIES:			
(INCREASE)DECREASE IN ACCOUNTS RECEIVABLE	(49)	220	
(INCREASE)DECREASE IN DUE FROM OTHER FUNDS		601	
(INCREASE)DECREASE IN DUE FROM COMPONENT UNITS	17	85	(93)
(INCREASE)DECREASE IN INVENTORIES	(16)	969	
(INCREASE)DECREASE IN PREPAID EXPENSES		197	
(INCREASE)DECREASE IN DEFERRED CHARGES			
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	13,256	18,011	(2)
INCREASE(DECREASE) IN DUE TO OTHER FUNDS		(532)	
INCREASE(DECREASE) IN DUE TO PRIMARY GOVERNMENT		4	
INCREASE(DECREASE) IN DUE TO COMPONENT UNITS	(1)		57
INCREASE(DECREASE) IN DEFERRED REVENUE	344	2,967	
INCREASE(DECREASE) IN OTHER			
TOTAL ADJUSTMENTS	(4,488)	53,485	6,573
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	\$ (9,329)	\$ 13,859	\$ (5,982)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
BOND ISSUANCE COST			
CONTRIBUTED FIXED ASSETS		\$ 523	
LEASE OBLIGATION PAYABLE		(140)	
DEFEASANCE OF BONDS BY THIRD PARTY			
DEEP DISCOUNT ACCRETION			
FIXED ASSET ACQUIRED BY CAPITAL LEASE		140	
TOTAL NONCASH CAPITAL AND FINANCING ACTIVITIES		\$ 523	
	TRUST AND AGENCY FUND	COMPONENT UNITS	
RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 2001			
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	\$ 2,106,422	\$ 1,195,175	
CASH ON DEPOSIT WITH FISCAL AGENT	817,254	1,533	
LESS: EXPENDABLE TRUST FUND	(819,276)		
AGENCY FUND	(396,930)		
PENSION FUND	(779,787)		
INVESTMENT TRUST FUND	(905,726)		
GOVERNMENTAL TYPE COMPONENT UNITS		(76,114)	
COLLEGE AND UNIVERSITY COMPONENT UNITS		(705,864)	
CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	\$ 21,957	\$ 414,730	

See accompanying Notes to the Financial Statements

TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY FOR THE YEAR ENDED	
		JUNE 30, 2001	JUNE 30, 2000
\$ (57,022)	\$ 49,492	\$ (7,530)	\$ 26,075
30,237	1,500	31,737	29,297
670		670	1,244
66		66	
819	(60,270)	(59,451)	(55,964)
(13,069)	(5,948)	(19,017)	(16,057)
(270)	(21,466)	(21,736)	(18,194)
943	133,826	134,769	126,102
139	2,511	2,650	1,924
	(5)	(5)	
171	22,515	22,686	(281,426)
601		601	(83)
9	82	91	251
953	(19)	934	(599)
197	(82)	115	362
	(9)	(9)	107
31,265	484	31,749	2,141
(532)		(532)	6
4	(615)	(611)	(106)
56		56	(655)
3,311	123	3,434	(1,178)
	35	35	23
55,570	72,662	128,232	(212,805)
\$ (1,452)	\$ 122,154	\$ 120,702	\$ (186,730)
\$ 523	\$ 776	\$ 776	\$ 2,392
(140)		523	53,619
		(140)	
	6,682	6,682	52,850
140		140	7,228
\$ 523	\$ 7,458	\$ 7,981	\$ 116,089

STATE OF TENNESSEE
STATEMENT OF CHANGES IN NET ASSETS
PENSION TRUST AND INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

	STATE EMPLOYEES, TEACHERS,HIGHER EDUCATION EMPLOYEES PENSION PLAN (SETHEEP)	POLITICAL SUBDIVISIONS PENSION PLAN (PSPP)	TOTAL PENSION	LOCAL GOVERNMENT INVESTMENT	TOTALS	
					JUNE 30, 2001	JUNE 30, 2000
ADDITIONS:						
CONTRIBUTIONS:						
MEMBER CONTRIBUTIONS	\$ 135,154	\$ 45,433	\$ 180,587		\$ 180,587	\$ 169,831
EMPLOYER CONTRIBUTIONS	232,149		232,149		232,149	252,162
POLITICAL SUBDIVISION CONTRIBUTIONS		103,681	103,681		103,681	82,749
TOTAL CONTRIBUTIONS	367,303	149,114	516,417		516,417	504,742
INVESTMENT INCOME:						
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	(1,198,688)	(184,059)	(1,382,747)		(1,382,747)	765,164
INTEREST	806,941	123,906	930,847	\$ 98,109	1,028,956	974,899
DIVIDENDS	101,496	15,585	117,081		117,081	124,744
REAL ESTATE INCOME	16,525	2,537	19,062		19,062	4,097
SECURITIES LENDING	2,078	319	2,397		2,397	
TOTAL INVESTMENT INCOME	(271,648)	(41,712)	(313,360)	98,109	(215,251)	1,868,904
LESS: INVESTMENT EXPENSES	10,738	1,637	12,375		12,375	15,167
SECURITIES LENDING EXPENSES	1,540	237	1,777		1,777	
ADMINISTRATIVE FEE				1,035	1,035	963
NET INVESTMENT INCOME	(283,926)	(43,586)	(327,512)	97,074	(230,438)	1,852,774
TRANSFER FROM PENSION TRUST FUNDS	12,604		12,604		12,604	
TOTAL ADDITIONS	95,981	105,528	201,509	97,074	298,583	2,357,516
DEDUCTIONS:						
ANNUITY BENEFITS:						
RETIREMENT BENEFITS	538,522	82,791	621,313		621,313	570,749
COST OF LIVING	116,893	13,476	130,369		130,369	118,475
DEATH BENEFITS	3,719	982	4,701		4,701	3,510
REFUNDS	16,484	12,034	28,518		28,518	28,562
ADMINISTRATIVE EXPENSES	1,795	1,683	3,478		3,478	4,353
TRANSFER TO PENSION TRUST FUNDS		12,604	12,604		12,604	
TOTAL DEDUCTIONS	677,413	123,570	800,983		800,983	725,649
NET INCREASE (DECREASE)	(581,432)	(18,042)	(599,474)	97,074	(502,400)	1,631,867
CAPITAL SHARES TRANSACTIONS:						
SHARES SOLD				3,428,297	3,428,297	2,403,187
LESS SHARES REDEEMED				3,379,924	3,379,924	2,464,966
INCREASE (DECREASE) FROM CAPITAL SHARE TRANSACTIONS				48,373	48,373	(61,779)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(581,432)	(18,042)	(599,474)	145,447	(454,027)	1,570,088
NET ASSETS HELD IN TRUST:						
JULY 1	21,159,409	3,178,270	24,337,679	1,601,506	25,939,185	24,369,097
JUNE 30	\$ 20,577,977	\$ 3,160,228	\$ 23,738,205	\$ 1,746,953	\$ 25,485,158	\$ 25,939,185

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	UNRESTRICTED	RESTRICTED	TOTALS FOR THE YEAR ENDED (MEMORANDUM ONLY)	
			JUNE 30, 2001	JUNE 30, 2000
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	\$ 535,927	\$ 986	\$ 536,913	\$ 497,229
FEDERAL APPROPRIATIONS	13,513		13,513	13,534
LOCAL APPROPRIATIONS	3,824		3,824	3,758
FEDERAL GRANTS AND CONTRACTS	46,415	320,965	367,380	321,987
STATE GRANTS AND CONTRACTS	5,486	48,871	54,357	39,220
LOCAL GRANTS AND CONTRACTS	5,454	8,366	13,820	16,509
PRIVATE GIFTS, GRANTS AND CONTRACTS	16,582	145,993	162,575	134,400
ENDOWMENT INCOME	280	29,030	29,310	21,655
SALES AND SERVICE OF EDUCATIONAL ACTIVITIES	77,394		77,394	72,147
SALES AND SERVICE OF AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS	259,092	100,451	359,543	367,840
OTHER SOURCES	64,556	519	65,075	71,158
TOTAL REVENUES	<u>1,028,523</u>	<u>655,181</u>	<u>1,683,704</u>	<u>1,559,437</u>
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	852,597	117,858	970,455	889,053
RESEARCH	63,145	152,814	215,959	197,816
PUBLIC SERVICE	67,988	108,735	176,723	179,154
ACADEMIC SUPPORT	160,937	15,178	176,115	166,037
STUDENT SERVICES	170,290	10,153	180,443	167,432
INSTITUTIONAL SUPPORT	173,579	7,552	181,131	174,144
OPERATION AND MAINTENANCE OF PLANT	163,976	391	164,367	144,274
SCHOLARSHIPS AND FELLOWSHIPS	48,719	134,406	183,125	166,779
EDUCATIONAL AND GENERAL EXPENDITURES	<u>1,701,231</u>	<u>547,087</u>	<u>2,248,318</u>	<u>2,084,689</u>
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	11,193		11,193	10,729
LOAN FUND MATCHING GRANT	185		185	227
NON-MANDATORY TRANSFERS FOR:				
UNEXPENDED PLANT	7,957		7,957	11,846
RENEWALS AND REPLACEMENTS	1,618		1,618	1,454
RETIREMENT OF INDEBTEDNESS	23,260		23,260	24,411
RESTRICTED CURRENT FUNDS	348		348	120
AUXILIARY ENTERPRISES AND HOSPITALS	(5,124)		(5,124)	(4,654)
ENDOWMENT AND SIMILAR FUNDS	(1,295)		(1,295)	325
PRIMARY GOVERNMENT	(983,788)	(27,154)	(1,010,942)	(959,155)
TOTAL EDUCATIONAL AND GENERAL	<u>755,585</u>	<u>519,933</u>	<u>1,275,518</u>	<u>1,169,992</u>
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS:				
EXPENDITURES	214,736	99,324	314,060	322,644
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	22,245		22,245	18,976
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	7,598		7,598	8,353
RESTRICTED CURRENT FUNDS	20		20	20
UNEXPENDED PLANT	2,554		2,554	4,493
EDUCATIONAL AND GENERAL	5,124		5,124	4,654
RETIREMENT OF INDEBTEDNESS	6,186		6,186	6,537
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES AND TRANSFERS	<u>258,463</u>	<u>99,324</u>	<u>357,787</u>	<u>365,677</u>
TOTAL CURRENT EXPENDITURES AND TRANSFERS	<u>1,014,048</u>	<u>619,257</u>	<u>1,633,305</u>	<u>1,535,669</u>
OTHER TRANSFERS AND ADDITIONS(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		42,211	42,211	47,592
INDIRECT COST RECOVERIES		(34,858)	(34,858)	(32,825)
TRANSFERS FROM (TO) OTHER FUNDS		6,999	6,999	5,620
REFUNDED TO GRANTORS		(1,199)	(1,199)	(565)
DISPOSITION OF HOSPITAL NET OPERATING ASSETS				(59,610)
OTHER ADDITIONS(DEDUCTIONS)	(3)	(968)	(971)	(1,192)
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 14,472</u>	<u>\$ 48,109</u>	<u>\$ 62,581</u>	<u>\$ (17,212)</u>

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	ANNUITY AND LIFE INCOME FUNDS
	UNRESTRICTED	RESTRICTED			
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	\$ 769,431	\$ 7,100			
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS	259,092	100,451			
GRANTS AND CONTRACTS-RESTRICTED		475,269	\$ 1,130		
GIFTS AND BEQUESTS-RESTRICTED		99,505	126	\$ 16,763	\$ 2,403
ADVANCES FROM OTHER COMPONENT UNITS					
INTEREST INCOME-RESTRICTED			1,784		
INVESTMENT INCOME-RESTRICTED		484	371	227	
ENDOWMENT INCOME		14,281	211	603	
BONDS AND NOTES RETIRED					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES					
OTHER		302	642	140	1,349
TOTAL REVENUES AND OTHER ADDITIONS	1,028,523	697,392	4,264	17,733	3,752
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	1,701,231	547,087			
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS EXPENDITURES	214,736	99,324			
INDIRECT COST RECOVERED		34,858			
REFUNDED TO GRANTORS		1,199	124		
LOAN CANCELLATIONS AND WRITE-OFFS			886		
ADMINISTRATIVE AND COLLECTION COST EXPENDED FOR PLANT FACILITIES			407		
EXPENDED FOR NON CAPITAL ITEMS					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
LOSS ON INVESTMENTS				27,868	1,137
BONDS AND NOTES ISSUED					
DISPOSITION OF HOSPITAL NET OPERATING ASSETS					
OTHER	3	968	564	112	10
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,915,970	683,436	1,981	27,980	1,147
TRANSFERS AMONG FUNDS ADDITIONS(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(33,438)				
LOAN FUND MATCHING GRANT	(185)	16	169		
ENDOWMENT AND SIMILAR FUNDS				3,039	(3,039)
NON-MANDATORY:					
UNRESTRICTED CURRENT FUNDS	7,260	(222)	(1)	(1,295)	
RESTRICTED CURRENT FUNDS	(590)	7,205	(4)	(8,153)	(55)
UNEXPENDED PLANT	(11,971)			(750)	
RENEWALS AND REPLACEMENTS	(13,499)				
RETIREMENT OF INDEBTEDNESS	(29,446)				
PRIMARY GOVERNMENT	983,788	27,154			
TOTAL TRANSFERS AMONG FUNDS	901,919	34,153	164	(7,159)	(3,094)
NET INCREASE(DECREASE) FOR THE YEAR	14,472	48,109	2,447	(17,406)	(489)
FUND BALANCE, JULY 1	107,754	125,050	65,490	458,260	44,622
PRIOR PERIOD ADJUSTMENTS					
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		(2,722)			
FUND BALANCE(Restated), JULY 1	107,754	122,328	65,490	458,260	44,622
FUND BALANCE, JUNE 30	\$ 122,226	\$ 170,437	\$ 67,937	\$ 440,854	\$ 44,133

See accompanying Notes to the Financial Statements

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 2001	JUNE 30, 2000
				\$ 776,531	\$ 706,789
				359,543	367,634
\$ 356		\$ 421		477,176	222,671
12,031		12,009	\$ 1,264	144,101	371,860
58,663				58,663	43,648
				1,784	1,855
3,631	\$ 2,850	4,027		11,590	51,835
				15,095	13,926
	6,775		22,243	22,243	193,784
		3,649		6,775	6,284
				3,649	3,544
			191,550	191,550	191,055
2,772	147	755	1,677	7,784	9,657
77,453	9,772	20,861	216,734	2,076,484	2,184,542
				2,248,318	2,084,689
				314,060	322,644
				34,858	32,825
				1,323	733
		230		886	714
				637	630
131,868	5,862			137,730	158,658
26,577	8,128			34,705	46,928
		19,289		19,289	18,588
		20,760		20,760	27,493
			34,102	34,102	23,397
				29,005	
		11,597	50,347	61,944	50,877
407			503	2,567	437,333
158,852	13,990	51,876	84,952	2,940,184	24,988
					3,230,497
	(145)	33,583			
(1,460)	(4,282)				
1,595		2			
23,809	(2,181)	(8,907)			
(962)	17,318	(2,857)			
(120)	(434)	30,000			
66,369		40	10	1,077,361	1,050,554
89,231	10,276	51,861	10	1,077,361	1,050,554
7,832	6,058	20,846	131,792	213,661	4,599
77,007	75,434	110,164	3,107,172	4,170,953	4,484,100
			16,194	16,194	
				(2,722)	(317,746)
77,007	75,434	110,164	3,123,366	4,184,425	4,166,354
\$ 84,839	\$ 81,492	\$ 131,010	\$ 3,255,158	\$ 4,398,086	\$ 4,170,953

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Colleges and Universities have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the Governmental Accounting Standards Board. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity

Introduction - As required by generally accepted accounting principles, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government.

Discretely Presented Component Units.

1. The Tennessee Student Assistance Corporation (TSAC) (Governmental Fund Type) is responsible for guaranteeing student loans under both federal and state programs and administering federal and state grants and loans to students. The majority of the Board is either appointed by the Governor or are State officials. TSAC's budget is approved by the State.
2. The Community Services Agencies (CSAs) (Governmental Fund Types) listed below are to provide a mechanism to facilitate the provision of services for children and other citizens in need of services from state agencies:

Davidson County Community Services Agency
Knox County Community Services Agency
Shelby County Community Services Agency
Hamilton County Community Services Agency
Northeast Community Services Agency
East Tennessee Community Services Agency
Upper Cumberland Community Services Agency
Southeast Community Services Agency
Mid-Cumberland Community Services Agency
South Central Community Services Agency
Northwest Community Services Agency
Southwest Community Services Agency

The Boards for these CSAs are appointed by the Governor and the budget must be approved by the State.

3. The Tennessee Certified Cotton Growers' Organization (Governmental Fund Type) was formed to aid in the eradication of the Boll Weevil. The majority of the Board is appointed by the Commissioner of the Department of Agriculture, and the State provides a substantial amount of funding.
4. The Tennessee Housing Development Agency (Proprietary Fund Type) is responsible for making loans and mortgages to qualified sponsors, builders, developers and purchasers of low and moderate income family dwellings. The Board of the agency is appointed by the Governor and its budget is approved by the State.
5. The Tennessee Local Development Authority (Proprietary Fund Type) provides financing assistance to local governments through the issuance of bonds and notes. In addition, the Authority assists non-profit corporations in the construction of mental health, mental retardation, or alcohol and drug facilities. The majority of the Board consists of State officials; therefore, the State can impose its will on the Authority.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

6. The Tennessee State Veterans' Homes Board (Proprietary Fund Type) is responsible for the operation of nursing homes for honorably discharged veterans of the United States armed forces. The Board is appointed by the Governor and its budget is approved by the State. In addition, the issuance of bonds must be approved by the State Funding Board.
7. The Child Care Facilities Corporation (Proprietary Fund Type) purpose is to create new child care slots in Tennessee by guaranteeing loans, making direct loans, and making grants. The Board is comprised primarily of State officials. The State must approve the budget of the Corporation.
8. The Tennessee State School Bond Authority (Proprietary Fund Type) finances projects for the University of Tennessee, Tennessee Board of Regents and the Tennessee Student Assistance Corporation. The Authority also finances improvement projects for qualifying K-12 schools in the state in conjunction with a federal government program. The Board of the Authority consists primarily of State officials; therefore, the State is able to impose its will on the organization.
9. The University of Tennessee Board of Trustees (College and University Fund Type) is responsible for the operation of the University of Tennessee, located primarily on four campuses across the State. The Board is appointed by the Governor and the State provides a substantial amount of the funding.
10. The Tennessee Board of Regents (College and University Fund Type) is responsible for the operation of six universities, twelve community colleges, one technical institute and twenty-seven technology centers. The Board is comprised of State officials and appointees by the Governor and the State provides a substantial amount of funding.

Complete financial statements for each of the individual component units may be obtained at the following addresses:

Tennessee Housing Development Agency
1114 Parkway Towers
404 James Robertson Parkway
Nashville, TN 37243

Tennessee Local Development Authority
Suite 1600, James K. Polk Building
Nashville, TN 37243

Tennessee State Veterans' Homes Board
345 Compton Road
Murfreesboro, TN 37130

Tennessee State School Bond Authority
Suite 1600, James K. Polk Building
Nashville, TN 37243

University of Tennessee
Office of the Treasurer
301 Andy Holt Tower
Knoxville, TN 37996-0100

Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, TN 37217

All others may be obtained at the following address:

Finance & Administration
Division of Accounts
14th Floor William R. Snodgrass Tennessee Tower
312 Eighth Avenue North
Nashville, TN 37243-0298

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- C. Fund Structure and Basis of Accounting - The financial activities of the state reported in the accompanying statements are classified into three fund categories and two account groups, all described below. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental fund types include:

1. General Fund - used to account for all financial transactions not required to be accounted for in other funds;
2. Special Revenue Funds - used to account for specific revenues earmarked to finance particular or restricted programs and activities;
3. Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. Capital Projects Fund - used to account for the acquisition or construction of all major governmental capital facilities.

All of the governmental funds are accounted for on the modified accrual basis of accounting. Under this basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants, departmental services, interest on investments, sales taxes, petroleum and vehicular-related taxes and fees, and gross receipts taxes. Licenses, fines, fees and permits are accounted for on the cash basis. Expenditures are recognized when the related fund liability is incurred except:

- a. Inventories generally are considered expenditures when consumed;
- b. Prepayments usually are not recorded; and
- c. Principal and interest on long-term debt are recorded when due.

Encumbrance accounting is utilized for budgetary control purposes in governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditure.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds include:

1. Enterprise Funds - used to account for the operations of self-sustaining state agencies providing goods or services to the general public on a user-charge basis; and
2. Internal Service Funds - used to account for the operations of self-sustaining state agencies providing goods or services to other state agencies on a cost-reimbursement basis.

The proprietary funds are accounted for on the accrual basis. Under this method, revenues are recorded when earned and expenses at the time liabilities are incurred.

The fiduciary funds represent Trust and Agency Funds which are used to account for assets held by the state in a trust or agency capacity. These funds include:

1. Expendable Trust Funds - used to account for the activities of trusts whose principal and income may be used for the purposes of the trust;
2. Nonexpendable Trust Funds - used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact;
3. Pension Trust Fund - used to account for the activities of the state-administered retirement system;
4. Investment Trust Fund – used to account for the activities of the state sponsored external investment pool; and
5. Agency Funds - used to account for amounts held in custody for others. Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting. Nonexpendable, Pension Trust and Investment Trust Funds are accounted for on the accrual basis.

All proprietary funds, nonexpendable trust funds, pension trust and investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The financial statements of the pension plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The state's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary funds.

The account group for general long-term obligations is maintained to account for general obligation debt outstanding, arbitrage payable, claims payable, capital leases and accrued annual and compensatory leave not otherwise recorded in proprietary or fiduciary funds.

In addition to the forementioned fund categories and account groups, the component units also include colleges and universities which are accounted for using a different accounting and reporting model.

The college and university fund types (component units - discrete) include:

1. Current Funds - used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (a) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and (b) restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, annuity and life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university fund types are accounted for on the accrual basis of accounting with the following exceptions:

- A. Depreciation expense related to plant fund assets is not recorded; and
 - B. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.
- D. Proprietary Activity Accounting and Financial Reporting - Activities accounted for in the state's proprietary, non-expendable trust and pension trust funds and proprietary type component units follow all applicable GASB pronouncements as well as applicable private sector pronouncements issued on or before November 30, 1989.
- E. College and University Accounting and Financial Reporting Model - The state uses the AICPA college guide model for accounting and reporting guidance for its colleges and universities, which are presented as component units-discrete.
- F. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. Annual budgets are adopted for the general, special revenue funds, except the Supreme Court Boards, Fraud and Economic Crime and Dairy Promotion Board (accounted for as Special Revenue Funds), and debt service funds. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year, with the encumbered appropriations being carried forward to the next year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of \$8.572 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of encumbrance and contract obligations. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP basis is presented in Note 2B. The budgetary comparison statement includes the General Fund and all budgeted Special Revenue Funds.

G. Cash and Cash Equivalents - This classification includes demand accounts, petty cash and monies in cash management pools. The liquidity of the cash management pools is sufficient to cover any withdrawal request by a participant. This classification also includes short-term investments with a maturity date within three months of the date acquired by the state. These short-term investments, which are not part of the State Cash Pool, are stated at fair value. Investments in the State Cash Pool are stated at cost or amortized cost as this pool is a 2a7-like pool. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. It is the state's policy to include cash management pools as cash.

H. Investments - This classification includes long-term investments which are stated at fair value.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Investment income consists of realized and unrealized appreciation in the fair value of investments. Interest income is recognized when earned. Securities and security transactions are recorded in the financial statements on trade-date basis.

I. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of taxes, interest, departmental services and federal revenues. Taxes are recorded as receivables when earned and received within 60 days after year end. Interest, departmental services and federal revenues are recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, licenses, fees, fines, permits and similar revenues are recognized on the cash basis. The General Fund and certain Trust Fund receivables, representing taxes and benefits overpayments, have been reduced by an allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables have also been reduced by an uncollectible allowance.

J. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's due to/from other funds at June 30, 2001 is presented in Note 2H.

K. Advances to Component Units - Noncurrent portions of long-term loan receivables are reported as advances and are offset equally by a fund balance reserve account or deferred revenue which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- L. Inventories - Inventories of materials and supplies are determined by physical count and are valued at cost, principally using the first-in/first-out (FIFO) method. The average cost method is used for the Highway Fund (a Special Revenue Fund) and Motor Vehicle Management (an Internal Service Fund). The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.
- M. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 4 to 20 years for Machinery and Equipment. It is the state's policy to capitalize interest expense incurred on significant proprietary and nonexpendable trust fund assets during their construction.

A statement of changes in general fixed assets for the year ended June 30, 2001 is presented in Note 2A.

Generally, College and University component units fixed assets are stated at cost and are not depreciated. Donated fixed assets are stated at fair market value at the time of donation. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently \$48, which approximates current cost.

- N. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory time is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university fund types, this obligation is reported as a fund liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. This contingency amount is disclosed in Note 9A.

- O. Fiscal Year End - The fiscal year end of the primary government and component units is June 30, except for the following agencies reported as Special Revenue funds: Supreme Court Boards and Dairy Promotion Board. Both of these organizations have a December 31 year end. Also, the Certified Cotton Growers' Organization, a component unit, has a December 31 year end.
- P. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories, petty cash, advances, long-term receivable, investments not available for expenditure, and prepayments are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes are examples of the latter. The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations, has been established as protection in the event of future revenue shortfalls or expenditure overruns.
- Q. Totals (Memorandum Only) - Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
- R. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

- A. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 2001 is shown below (expressed in thousands).

	<u>Land</u>	<u>Structures and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Totals</u>
Balance, July 1, 2000	\$165,877	\$1,231,451	\$ 240,425	\$ 38,939	\$ 1,676,692
Prior Period Adjustment	_____	<u>(46,904)</u>	_____	_____	<u>(46,904)</u>
Adjusted Balance, July 1, 2000	165,877	1,184,547	240,425	38,939	1,629,788
Additions	16,036	10,056	25,819	30,050	81,961
Deductions	<u>(844)</u>	<u>(13,624)</u>	<u>(17,436)</u>	<u>(7,387)</u>	<u>(39,291)</u>
Balance, June 30, 2001	<u>\$181,069</u>	<u>\$1,180,979</u>	<u>\$ 248,808</u>	<u>\$ 61,602</u>	<u>\$1,672,458</u>

- B. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Budgeted Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	<u>General Fund</u>	<u>All Special Revenue Funds</u>
Fund Balances (Budgetary Basis), June 30, 2001	\$ 987,603	\$ 280,230
Add:		
Reserve for encumbrances and contracts	8,477	179,613
Highway construction appropriations carried forward		131,481
Unbudgeted Supreme Court Boards		2,572
Unbudgeted Dairy Promotion Board		7
Unbudgeted Fraud and Economic Crime		<u>2,097</u>
Fund Balances (GAAP Basis), June 30, 2001	<u>\$ 996,080</u>	<u>\$ 596,000</u>

- C. Fund Equity Restatement/Change in Accounting Principle

Change in Accounting Principle:

Primary Government: The state has adopted GASB Statements 33, *Accounting and Financial Reporting for Nonexchange Transactions* and 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. These statements establish accounting and financial reporting for nonexchange transactions involving financial or capital resources. The principal issue addressed in the statements is *when* nonexchange transactions should be recognized in the financial statements for both accrual and modified-accrual bases of accounting. A majority of the provisions for accrual accounting will affect transactions occurring in the fiscal year ending June 30, 2002 when GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* becomes effective. However, some of the provisions for modified-accrual basis of accounting are effective this year. Specifically, revenues, which the state ultimately shares with local governments, will be reported as revenue in the General Fund (\$394.264 million) and Highway Fund (\$274.839 million). The General Fund and Highway Fund will also report a grant expense to local governments in the amount of \$394.264 million and \$274.839 million. In addition, a two-month accrual for revenue, that will be received from TVA (*in lieu of taxes* for July and August), will be made in the General Fund in the amount of \$32.261 million. A grant expense in the amount of \$12.048 million, representing the TVA revenue shared with local governments, will be reported in the General Fund as well. The General Fund fund balance will increase by \$20.213 million as a result of the TVA accruals, \$19.391 million of which is the cumulative effect of the change in prior years.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Also, during fiscal year 2001, the state's accounting policy regarding the definition of cash and cash equivalents was changed. Previously, those investments whose primary purpose was the placement of funds in long-term investments were classified as investments. Subsequent to the change, investments with a maturity date of three months or less on the date of acquisition were classified as cash equivalents.

Component Units: Component units of the state also adopted GASB Statements 33 and 36; however, some were not affected this year by the provisions of those statements. The effect of the Tennessee Board of Regents System was to increase deferred revenue and decrease fund balance by \$2.722 million.

Change in Reporting Entity: Tennessee Code Annotated, Section 43-32-206(b) was amended to dissolve the corporate identity of the commodity producer indemnity component unit and to establish it as a fund of the State of Tennessee primary government. The commodity producer's board was terminated and its functions transferred to the Commissioner of Agriculture. The fund, Grain Indemnity, is retroactively reported as an enterprise fund with assets and fund equity in the amount of \$3.681 million at June 30, 2001 and \$3.573 million at June 30, 2000. For the years ending June 30, 2001 and June 30, 2000, revenues are \$214 thousand and \$199 thousand and expenses are \$106 thousand and \$128 thousand respectively.

Prior Period Adjustments:

Primary Government: The General Fund erred in establishing accrued liabilities at June 30, 2000, resulting in an increase to fund balance of \$19.916.

The Facilities Revolving Fund (an internal service fund) inadvertently understated the value of donated land. Correction of the error caused an equity increase of \$6 million primarily in land asset classification.

Certain buildings were disposed of in prior years and inadvertently not removed from the capital assets reported in the GFAAG. As a result, GFAAG beginning balance is reduced by \$46.904 million.

Component Units: At June 30, 2000, the Certified Cotton Growers' Organization (a governmental-type component unit) incorrectly reported a liability for long-term debt in the operating (General) fund rather than in a General-Long-Term Obligations Account Group. Correction of the error caused the operating fund beginning balance of \$(7.007) million, to adjust to \$523 thousand, resulting in an increase of \$7.53 million. In addition, the account group was established with notes payable of \$7.53 million and an amount to be provided of \$7.53 million.

The Tennessee Board of Regents System inadvertently expensed capital asset acquisitions that should have been capitalized at East Tennessee State University. That, and corrections reported for other institutions, resulted in an increase of \$16.194 million to Investment in Plant fund balance.

Change in Accounting Estimate: The Facilities Revolving Fund (FRF) revised its state building rental rates downward for agencies and internal service funds that ultimately charge against federal grant programs. It was decided to refund from FRF the difference between the old and new rates for the past five years. As a result, FRF reduced its current-year revenue and the affected funds reduced expenses/expenditures sometimes causing the smaller funds to report negative rental expense.

- D. Related Organizations - The State's officials are also responsible for appointing the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making appointments. The State appoints the board members of the Beech River Watershed Development Authority, Carroll County Watershed Authority, Goodwyn Institute Commission, Watkins Institute Commission, Tennessee Alliance for Fitness and Health, Tennessee Competitive Export Corporation, Insurance Guaranty Association, Tennessee Sports Hall of Fame, Local Neighborhood Development Corporations, Tennessee Holocaust Commission, Inc., and Sports Festival, Inc.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- E. Joint Ventures -The State is a participant in a joint venture, the Tennessee-Tombigbee Waterway Development Compact, with the states of Alabama, Kentucky and Mississippi. The purpose of this compact is to promote the development of a navigable waterway connecting the Tennessee and Tombigbee Rivers and provide a nine foot navigable channel. The fiscal year end of the Tennessee Tombigbee Waterway is December 31. Financial statements for the Tennessee Tombigbee Waterway may be obtained at: P. O. Drawer 671, Columbus, MS 39703.

Presented below is summary financial data for this joint venture (expressed in thousands):

	<u>2000</u>	<u>1999</u>
Current Assets	\$ 278	\$ 271
Property Plant & Equipment	<u>29</u>	<u>29</u>
Total Assets	<u>307</u>	<u>300</u>
Investment in General Fixed Assets	29	29
Fund Balance	<u>278</u>	<u>271</u>
Total Liabilities and Fund Balance	<u>307</u>	<u>300</u>
Revenues	339	322
Expenditures	<u>332</u>	<u>323</u>
Excess of Revenues over (under) expenditures	(7)	(1)
Beginning Fund Balance	<u>271</u>	<u>272</u>
Ending Fund Balance	<u>\$ 278</u>	<u>\$ 271</u>

- F. Jointly Governed Organizations - The State in conjunction with 30 other states and Puerto Rico are members of the Pest Control Compact.

The State in conjunction with 12 other states and Puerto Rico are members of the Southern Growth Policies Board.

The Southern Regional Education Compact was entered into with 15 other states.

The Compact for Education was entered into with 49 other states, plus Puerto Rico and the Virgin Islands. Tennessee paid \$61,200 in fiscal year 2001 for membership dues.

The Interstate Mining Compact has 17 member states, including Tennessee. Tennessee paid \$13,909 in fiscal year 2001 for membership dues.

The Southern States Energy Board is comprised of 16 member states, including Tennessee.

The Southeast Interstate Low Level Radioactive Waste Compact has 7 member states, including Tennessee.

The Chickasaw Trail Economic Development Compact has two member states in conjunction with one county in each state.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- G. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 2001, is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Sewage treatment loans, sewage treatment facilities loans, energy loans, insurance, insurance, drinking water system loans, grain warehouse insurance, property distribution and medicare supplemental insurance.

	State Loan <u>Program</u>	Sewer Treatment <u>Loan</u>	Energy Loan <u>Program</u>
Operating Revenues	\$ 1,045	\$ 16,439	\$ 1,071
Depreciation and Amortization	10		
Operating Income (Loss)	(58)	15,416	1,071
Operating Grants, Entitlements, and Shared Revenues		9,000	3,200
Operating Transfers In			
Operating Transfers Out to Component Units	(25)		
Net Income (Loss)	(83)	24,416	4,271
Equity Transfers In		1,502	
Net Working Capital	3,013	89,054	18,557
Total Assets	21,558	413,068	23,649
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	13,933		
Total Equity	3,599	413,065	23,649

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

<u>Teacher Group Insurance</u>	<u>Local Government Group Insurance</u>	<u>Drinking Water</u>	<u>Grain Indemnity</u>	<u>Property Utilization</u>	<u>Medicare Supplement Insurance</u>	<u>Totals</u>
\$ 165,466	\$ 57,687	\$ 576		\$ 1,666	\$ 19,954	\$ 263,904
(17,287)	(10,874)	106	\$ (106)	(396)	7,287	10 (4,841)
		3,460				15,660
3,790				200	2,611	6,601
(12,487)	(9,968)	3,566	108	(196)	10,089	(25) 19,716
(10,027)	2,419	4,173				5,675
14,888	11,746	10,605	3,681	4	10,089	127,395
		16,793	3,681	195	11,353	516,931
(10,027)	2,419	16,788	3,681	4	10,089	13,933 463,267

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

H. Due To/Due From Other Funds - A summary of due from other funds and due to other funds at June 30, 2001 is shown below (expressed in thousands).

	<u>DUE FROM OTHER FUNDS</u>						
	<u>Special Revenue</u>			<u>Internal Service</u>			
<u>DUE TO OTHER FUNDS</u>	<u>General Fund</u>	<u>Education</u>	<u>Highway</u>	<u>Wildlife Resources Agency</u>	<u>Job Skills Fund</u>	<u>Office for Information Resources</u>	<u>Division of Accounts</u>
General		\$ 6,494					\$ 6
Special Revenue:							
Education Trust	\$ 244,262						
Highway							
Wildlife Resources							
Agency							
Solid Waste							
Job Skills							
Hazardous Waste							
Underground Storage							
Tanks							
Enhanced Emergency							
911 Service							
Driver Education							
Salvage Title							
Enforcement							
Drycleaner's Environmental							
Response							
Tennessee Regulatory Authority							
Debt Service Fund	11						
Enterprise:							
Property Utilization	71						
Internal Service:							
Office for Information							
Resources							
Motor Vehicle							
Management							
General Services							
Printing							
Food Services							
Postal Services							
Purchasing							
Central Stores	19						
Records Management							
Division of Accounts							
Trust and Agency:							
Employment Security	9,849				\$ 64		
Employee Flexible Benefits	53	2	\$ 8	\$ 1		\$ 1	
Totals	<u>\$ 254,265</u>	<u>\$ 6,496</u>	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 64</u>	<u>\$ 1</u>	<u>\$ 6</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

DUE FROM OTHER FUNDS

Trust and Agency Funds

<u>Employment Security</u>	<u>Employee Flexible Benefits</u>	<u>Baccalaureate Education</u>	<u>Pension Trust</u>	<u>Contingent Revenue</u>	<u>Totals</u>
\$ 206	\$ 115	\$ 6	\$ 2,435	\$ 6,027	\$ 15,289
	5		76	194	244,537
	8	1	323	806	1,138
	2		55	130	187
			2	4	6
			1	1	2
			5	12	17
	1		6	15	22
	1			1	2
				1	1
			1	2	3
			1	1	2
	2		9	23	34
					11
			1	4	76
	3	1	38	94	136
			2	6	8
			4	8	12
				1	1
			3	9	12
	1		3	8	12
			1	4	24
			1	4	5
	2		7	17	26
					9,913
					65
<u>\$ 206</u>	<u>\$ 140</u>	<u>\$ 8</u>	<u>\$ 2,974</u>	<u>\$ 7,372</u>	<u>\$ 271,541</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

I. Due to Primary Government From Component Units - A summary of due to the primary government from the component units at June 30, 2001 is shown below (expressed in thousands).

<u>DUE FROM COMPONENT UNITS</u>					
<u>DUE TO PRIMARY GOVERNMENT</u>	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
			<u>Property Utilization</u>	<u>Office for Information Resources</u>	<u>Motor Vehicle Management</u>
TN Student Assistance Corporation					
Northeast CSA	\$ 114			\$ 6	
East TN CSA	176			3	
Upper Cumberland CSA	58				
Southeast CSA	154			7	
Mid-Cumberland CSA	323			7	
South Central CSA	125			2	
Northwest CSA	385			5	
Southwest CSA	145			3	
Knox Co. CSA	191			4	
Shelby Co. CSA	354				
Hamilton Co. CSA	77			1	
Housing Development Agency	84				
Veterans' Homes Board	240				
Tennessee State School Bond Authority	1				
Board of Regents	444	\$ 566	\$ 4	116	\$ 18
University of Tennessee	107		1	18	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 2,978</u>	<u>\$ 566</u>	<u>\$ 5</u>	<u>\$ 172</u>	<u>\$ 23</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

DUE FROM COMPONENT UNITS

<u>Internal Service Funds</u>	<u>Trust and Agency Funds</u>					
<u>Central Stores</u>	<u>Employment Security</u>	<u>Employee Flexible Benefits</u>	<u>Chairs of Excellence</u>	<u>Pension Trust</u>	<u>Contingent Revenue</u>	<u>Totals</u>
				\$ 2	\$ 6	\$ 8
	\$ 1			11		132
	1			22		202
	2			4		64
				5		166
	1					331
	1			10		138
	1					391
	1					149
	1			15		211
						354
	1			4		83
		\$ 3		13	33	133
				32		272
						1
\$ 1				1,599		2,748
1			\$ 762	1,573		2,467
<u>2</u>	<u>10</u>	<u>3</u>	<u>762</u>	<u>3,290</u>	<u>39</u>	<u>7,850</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

J. Due From Primary Government To Component Units - A summary of due to the component units from the primary government at June 30, 2001 is shown below (expressed in thousands).

<u>DUE TO COMPONENT UNITS</u>					
<u>DUE FROM PRIMARY GOVERNMENT</u>	<u>General</u>	<u>Capital Projects</u>	<u>Office for Information Resources</u>	<u>Chairs of Excellence</u>	<u>Totals</u>
Northeast CSA	\$ 536				\$ 536
East TN CSA	1,165		\$ 4		1,169
Upper Cumberland CSA	426				426
Southeast CSA	628				628
Mid-Cumberland CSA	134				134
South Central CSA	118				118
Northwest CSA	45				45
Southwest CSA	393				393
Davidson County CSA	520				520
Knox County CSA	419				419
Shelby County CSA	1,176				1,176
Hamilton County CSA	166				166
Board of Regents				\$ 980	980
University of Tennessee		\$ 6,909		1,066	7,975
Totals	\$ 5,726	\$ 6,909	\$ 4	\$ 2,046	\$ 14,685

K. Due to Component Units From Component Units - A summary of due to the component units from component units at June 30, 2001 is shown below (expressed in thousands).

	<u>DUE TO COMPONENT UNITS</u>					
DUE FROM COMPONENT UNITS	Upper Cumberland <u>CSA</u>	Southeast <u>CSA</u>	Hamilton Co. <u>CSA</u>	Board of <u>Regents</u>	University of <u>Tennessee</u>	<u>Totals</u>
Hamilton Co. CSA					\$ 25	\$ 25
TN State School Bond Authority				\$ 9,946	13,308	23,254
Board of Regents	\$ 1					1
University of Tennessee		\$ 4	\$ 2			6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	\$ 1	\$ 4	\$ 2	\$ 9,946	\$ 13,333	\$ 23,286

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

L. Advances -

The General Fund has an advance of \$170 thousand to a component unit, the Veterans' Homes Board. The Veterans' Homes Board is to repay the advance out of profits generated.

The Debt Service Fund has an advance of \$13.8 million to the Tennessee Local Development Authority (TLDA). TLDA plans to repay the advance from the TLDA borrowers' principal and interest payments.

Tennessee State School Bond Authority has made the following advances to other component units (expressed in thousands):

	<u>Advances from Component Units</u>
Tennessee Board of Regents	\$ 182,885
University of Tennessee	<u>179,652</u>
	<u>\$ 362,537</u>

These advances are due in varying amounts annually and are sufficient to pay the debt service on the bonds and commercial paper payable that the Tennessee State School Bond Authority has issued.

M. Individual Fund Deficits - The following individual funds have deficit retained earnings/fund balances at June 30, 2001 (expressed in thousands):

Enterprise Funds:

Teacher Group Insurance	\$ (22,627)
Property Utilization	\$ (1,606)

Internal Service Funds:

Food Services	\$ (4,626)
Records Management	(53)
General Services Printing	(186)

Trust and Agency Funds:

Baccalaureate Education	(756)
-------------------------	-------

Component Units:

Veterans' Homes Board	\$ (1,289)
Child Care Facilities	\$ (267)

Increases in fees and charges for services and products are expected to eliminate the deficits in these funds in fiscal years 2002 and beyond.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

N. Accounts and Notes Receivable - Receivables at June 30, 2001 consist of the following (expressed in thousands):

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>Total</u>
Accounts Receivable:								
Interest	\$ 10,895				\$ 31		\$201,836	\$ 212,762
Taxes	318,176	\$ 358,189	\$ 3,429				334,817	1,014,611
Accounts	154,521	612		\$ 57	13,307	\$ 564	269,775	438,836
Intergovernmental	<u>315,580</u>	<u>133,680</u>		<u>665</u>	<u>357,842</u>		<u>2,872</u>	<u>810,639</u>
Gross Accounts Receivable	799,172	492,481	3,429	722	371,180	564	809,300	2,476,848
Less: Allowance for Uncollectibles	<u>(59,614)</u>						<u>(20,888)</u>	<u>(80,502)</u>
Net Accounts Receivable	<u>\$ 739,558</u>	<u>\$ 492,481</u>	<u>\$ 3,429</u>	<u>\$ 722</u>	<u>\$ 371,180</u>	<u>\$ 564</u>	<u>\$788,412</u>	<u>\$2,396,346</u>

Component Units

	<u>Tennessee Student Assistance Corporation</u>	<u>Tennessee Housing Development Agency</u>	<u>Tennessee Local Development Authority</u>	<u>Board of Regents</u>	<u>University of Tennessee</u>	<u>Other</u>	<u>Total</u>
Accounts Receivable:							
Interest	\$ 413	\$ 17,777	\$ 194	\$ 2,839	\$ 354		\$ 21,577
Accounts	17,791	1,510,804	96,354	88,643	165,247	\$ 6,829	1,885,668
Intergovernmental	<u>2,711</u>	<u>5,978</u>					<u>8,689</u>
Gross Accounts Receivable	20,915	1,534,559	96,548	91,482	165,601	6,829	1,915,934
Less: Allowance for Uncollectibles				<u>(9,861)</u>	<u>(7,557)</u>		<u>(17,418)</u>
Net Accounts Receivable	<u>\$ 20,915</u>	<u>\$ 1,534,559</u>	<u>\$ 96,548</u>	<u>\$ 81,621</u>	<u>\$ 158,044</u>	<u>\$ 6,829</u>	<u>\$ 1,898,516</u>
Notes Receivable	\$ 5,793			\$ 30,631	\$ 38,206		\$ 74,630
Less: Allowance for Uncollectibles				<u>(7,952)</u>	<u>(1,060)</u>		<u>(9,012)</u>
Net Notes Receivable	<u>\$ 5,793</u>			<u>\$ 22,679</u>	<u>\$ 37,146</u>		<u>\$ 65,618</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- O. Fund Balance Reserves and Designations - Specific purpose reserves represent current and past legislative appropriations requiring year-end segregation. A summary of the nature and purpose of these reserves at June 30, 2001 by fund type follows (expressed in thousands).

<u>Reserved for Other Specific Purposes</u>	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
Highway Construction		\$ 131,481	
Wildlife Resources Program		31,894	
Criminal Injuries Compensation		76,596	
Solid Waste		10,766	
Job Skills		33,840	
Environmental Protection		9,171	
Hazardous Waste Program		7,543	
Parks Acquisition		20,438	
Enhanced Emergency 911 Service		21,513	
Unemployment Compensation Benefits			\$ 855,103
Pension Benefits			23,738,205
Higher Education Chairs of Excellence			219,106
Local Government Investment Pool			1,746,953
Contingent Federal Liabilities	\$ 100,000		
Probation Supervision and Rehabilitation	7,246		
Commerce and Insurance Regulatory Boards	5,246	3,211	
Arts Commission	3,602		
Temporary Assistance	9,514		
Alcohol Drug Addiction Treatment	2,739		
Title and Registration	9,000		
Civil Defense	4,066		
Other Non-Lapsing and Special Revenue Programs	<u>20,498</u>	<u>35,421</u>	<u>32,606</u>
Totals	<u>\$ 161,911</u>	<u>\$ 381,874</u>	<u>\$26,591,973</u>

The General Fund designation for other specific purposes represents the following appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 2001 (expressed in thousands):

Future Appropriations	\$ 274,976
Casualty Losses	8,731
Industries for the Blind	<u>132</u>
	<u>\$ 283,839</u>

The reserve for related assets represents assets which are not available for appropriation. A summary of these reserves at June 30, 2001 by fund type follows (expressed in thousands).

<u>Reserved for Related Assets</u>	<u>General</u>	<u>Special Revenue</u>
Inventories		\$ 6,468
Advances to Component Units	\$ 170	
Long-Term Receivables	3,809	
Prepayments	70	20
Pacific Gas and Electric Bankruptcy	26,571	6,457
	<u>\$ 30,620</u>	<u>\$ 12,945</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

P. Presented below are the condensed financial statements for the discretely presented component units (expressed in thousands):

CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

BALANCE SHEETS

	Tennessee Student Assistance Corporation	Tennessee Housing Develop. Agency	Tennessee Local Develop. Authority	Tennessee State School Bond Authority	Tennessee Board of Regents	University of Tennessee	Other	Total
Assets:								
Current Assets	\$ 96,414	\$ 422,222	\$ 36,765	\$ 48,973	\$ 420,502	\$ 1,058,036	\$ 11,512	\$2,094,424
Due from Primary Government					980	7,975	5,730	14,685
Due from Component Units				23,254	1	6	25	23,286
Advance to Component Units				362,537				362,537
Other Assets		1,966,366	91,792	2,715	150,197	27,515	292	2,238,877
Fixed Assets	5	11			2,012,761	1,621,852	10,800	3,645,429
Amounts to be Provided	<u>91</u>						<u>26,795</u>	<u>26,886</u>
Total Assets	<u>\$ 96,510</u>	<u>\$ 2,388,599</u>	<u>\$ 128,557</u>	<u>\$ 437,479</u>	<u>\$2,584,441</u>	<u>\$ 2,715,384</u>	<u>\$ 55,154</u>	<u>\$8,406,124</u>
Liabilities:								
Current Liabilities	\$ 1,145	\$ 78,047	\$ 2,155	\$ 3,161	\$ 116,055	\$ 172,705	\$ 9,354	\$ 382,622
Due to Primary Government	8	133		1	2,748	2,467	2,493	7,850
Due to Component Units					9,946	13,333	7	23,286
Bonds and Notes Payable		1,935,360	99,584	419,502	1,670	31	26,820	2,482,967
Advance From Primary Government			13,800				170	13,970
Advance from Component Units					182,885	179,652		362,537
Advance from Other Government	902							902
Other Liabilities	<u>91</u>	<u>857</u>		<u>6,788</u>	<u>154,210</u>	<u>66,037</u>	<u>229</u>	<u>228,212</u>
Total Liabilities	<u>2,146</u>	<u>2,014,397</u>	<u>115,539</u>	<u>429,452</u>	<u>467,514</u>	<u>434,225</u>	<u>39,073</u>	<u>3,502,346</u>
Equity:								
Investment in General Fixed Assets	5				1,826,209	1,428,949	959	3,256,122
Contributed Capital		2,500					10,164	12,664
Retained Earnings (Deficit)		371,702	13,018	8,027			(1,478)	391,269
Fund Balances	<u>94,359</u>				<u>290,718</u>	<u>852,210</u>	<u>6,436</u>	<u>1,243,723</u>
Total Equity	<u>94,364</u>	<u>374,202</u>	<u>13,018</u>	<u>8,027</u>	<u>2,116,927</u>	<u>2,281,159</u>	<u>16,081</u>	<u>4,903,778</u>
Total Liabilities and Equity	<u>\$ 96,510</u>	<u>\$ 2,388,599</u>	<u>\$ 128,557</u>	<u>\$ 437,479</u>	<u>\$2,584,441</u>	<u>\$ 2,715,384</u>	<u>\$ 55,154</u>	<u>\$8,406,124</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	<u>Tennessee Student Assistance Corporation</u>	<u>Other</u>	<u>Total</u>
Revenues	\$ 21,231	\$ 14,060	\$ 35,291
Expenditures:			
Current	45,749	61,488	107,237
Transfers From Primary Government	<u>31,737</u>	<u>47,991</u>	<u>79,728</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	7,219	563	7,782
Fund Balances, July 1	87,140	(1,657)	85,483
Prior Period Adjustment	<u> </u>	<u>7,530</u>	<u>7,530</u>
Fund Balances, June 30	<u>\$ 94,359</u>	<u>\$ 6,436</u>	<u>\$ 100,795</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY

	<u>Tennessee Housing Develop. Agency</u>	<u>Tennessee Local Develop. Authority</u>	<u>Tennessee School Bond Authority</u>	<u>Other</u>	<u>Total</u>
Operating Revenues	\$ 164,483	\$ 7,683	\$ 24,336	\$ 10,979	\$ 207,481
Operating Expenses	<u>117,280</u>	<u>6,819</u>	<u>23,039</u>	<u>10,851</u>	<u>157,989</u>
Operating Income (Loss)	47,203	864	1,297	128	49,492
Non-Operating Revenues (Expenses)	(8,629)			(82)	(8,711)
Transfers From Primary Government		25			25
Extraordinary Items	<u>(183)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(183)</u>
Net Income (Loss)	38,391	889	1,297	46	40,623
Fund Equity, July 1	<u>335,811</u>	<u>12,129</u>	<u>6,730</u>	<u>8,640</u>	<u>363,310</u>
Fund Equity, June 30	<u>\$ 374,202</u>	<u>\$ 13,018</u>	<u>\$ 8,027</u>	<u>\$ 8,686</u>	<u>\$ 403,933</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

	Tennessee Board of <u>Regents</u>	University of <u>Tennessee</u>	<u>Total</u>
Revenues	\$ 778,976	\$ 904,728	\$ 1,683,704
Expenditures:			
Education and General	1,276,863	971,455	2,248,318
Auxiliary Enterprise and Hospital	59,672	254,388	314,060
Transfers To Other Colleges and University Funds	(34,392)	(40,478)	(74,870)
Transfers From Primary Government	592,209	418,733	1,010,942
Other Additions (Deductions)	<u>6,954</u>	<u>(1,771)</u>	<u>5,183</u>
Net Increase (Decrease) in Fund Balances	<u>\$ 7,212</u>	<u>\$ 55,369</u>	<u>\$ 62,581</u>

- Q. Operating Lease - The state, as the lessor, entered into an operating lease with Tennessee Golf, LLC for four golf courses built by the state to be operated by the lessee. The 21-year lease agreement, dated January 20, 1995, required that lease payments begin in January 2001 and proceed for a total of 84 quarters. In accordance with GASB Statement 13, this lease qualifies as lease with scheduled rent increases. The golf courses are recorded in the General Fixed Assets Account Group at a cost of \$20 million.

The following is a schedule by years of minimum future rentals on noncancelable leases as of June 30, 2001:

Year ending June 30	
2002	\$ 885
2003	885
2004	1,185
2005	1,485
2006	1,854
Later years	<u>35,098</u>
Total minimum future rentals	<u>\$ 41,392</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

NOTE 3 – LONG-TERM LIABILITIES AND CERTAIN OTHER OBLIGATIONS

A. Bonds Payable - Bonds Payable at June 30, 2001 are shown below (expressed in thousands).

	<u>Bonds</u>
<u>Enterprise Funds:</u>	
General obligation bonds, 5.0%, due in generally decreasing amounts of principal and interest ranging from \$2.56 million in 2002 to \$719 thousand in 2006	\$ 7,975
General obligation refunding bonds, 1996 Series C, 4.6% to 5.0%, principal and interest due in amounts ranging from \$1.56 million in 2002 to \$986 thousand in 2010	<u>9,411</u>
	17,386
Less: Unamortized bond refunding costs	<u>(173)</u>
Total Enterprise Funds	<u>17,213</u>
<u>Internal Service Funds:</u>	
General obligation bonds, 4.0% to 7.4%, due in generally decreasing amounts of principal and interest from \$17.96 million in 2002 to \$1.98 million in 2020	94,422
General obligation refunding bonds, 1996 Series B, 4.6% to 6%, principal and interest due in amounts ranging from \$1.81 million in 2002 to \$8 thousand in 2011	9,552
General obligation refunding bonds, 1999 Series A, 3.5% to 5%, principal and interest due in amounts ranging from \$2.68 million in 2002 to \$943 thousand in 2015	<u>49,769</u>
	153,743
Less: Unamortized bond refunding costs	<u>(2,996)</u>
Total Internal Service Funds	<u>150,747</u>
<u>General Long-Term Debt:</u>	
General obligation bonds, 4.0% to 7.4%, due in generally decreasing amounts of principal and interest from \$73 million in 2002 to \$4 million in 2029	604,225
General obligation refunding bonds, 1991 Series A, 6.35%, principal and interest due of \$5.56 million in 2002	5,225
General obligation refunding bonds, 1996 Series B, 4.6% to 6%, principal and interest due in amounts ranging from \$21.73 million in 2002 to \$3.90 million in 2011	102,908
General obligation refunding bonds, 1999 Series A, 3.5% to 5%, principal and interest due in amounts ranging from \$15.21 million in 2002 to \$4.46 million in 2015	<u>186,351</u>
Total General Long-Term Debt	<u>898,709</u>
 Total Bonds Payable	 <u>\$1,066,669</u>

General Obligation bonds issued during the year ended June 30, 2001:

August 2000 – Series 2000A in the amount of \$150 million

The \$150 million general obligation bond issue represents bonds maturing serially through 2020 at interest rates ranging from 4.875% to 5.375%. The bonds were sold at a premium of \$780,825. Proceeds of \$150.5 million were used to redeem commercial paper.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

B. Commercial Paper Payable - Commercial Paper Payable at June 30, 2001 is shown below (expressed in thousands).

Commercial Paper

General Obligation Debt:

General obligation commercial paper, interest rates ranging from 2.5% to 4.45% for tax exempt and 3.77% to 6.68% for taxable, varying maturities	\$ 240,515
--	------------

Internal Service Funds:

General obligation commercial paper, interest rates ranging from 2.5% to 4.45%, varying maturities	<u>9,485</u>
--	--------------

Total	<u>\$ 250,000</u>
-------	-------------------

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation bonds and commercial paper listed above. Although the Enterprise (State Loan Program) and Internal Service Fund (Facilities Revolving Fund) general obligation debt is being retired from resources of those funds, the state remains contingently liable for its payment.

In March 2000, the State instituted a general obligation commercial paper program to provide interim or short-term financing of various authorized capital projects. Commercial paper may be issued as federally taxable or tax exempt and constitute bond anticipation notes. The commercial paper is sold at par as interest-bearing obligations in minimum denominations of \$100 thousand and integral multiples of one thousand in excess of such amount, with interest payable at maturity. The commercial paper has varying maturities of not more than 270 days from their respective dates of issuance. Interest rates vary depending on the market. The amount of principal outstanding may not exceed \$250 million.

The State has entered into a Standby Commercial Paper Purchase Agreement with the Tennessee Consolidated Retirement System under which TCRS is obligated to purchase newly issued commercial paper issued to pay the principal of other commercial paper. The Program expires and the Standby Purchase Agreement terminates on April 1, 2005. At June 30, 2001, \$250 million of commercial paper was outstanding (\$219.7 tax exempt and \$30.3 federally taxable).

C. Debt Service Requirements to Maturity - Debt Service requirements to maturity for all general obligation bonds payable at June 30, 2001 are as follows (expressed in thousands):

For the Year(s) <u>Ended June 30</u>	<u>General Obligation Bonds</u>		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2002	\$ 87,807	\$ 54,268	\$ 142,075
2003	81,967	49,781	131,748
2004	81,787	45,618	127,405
2005	81,422	41,360	122,782
2006	80,077	37,005	117,082
2007-2011	315,814	132,990	448,804
2012-2016	238,527	61,661	300,188
2017-2021	78,427	16,918	95,345
2022-2026	13,570	6,408	19,978
2027-2029	10,440	1,547	11,987
	<u>\$1,069,838</u>	<u>\$447,556</u>	<u>\$ 1,517,394</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- D. Changes in General Long-Term Obligations - A summary of changes in general long-term obligations for the year ended June 30, 2001 follows (expressed in thousands).

	Balance, <u>July 1, 2000</u>	General Obligation Debt <u>Issued</u>	General Obligation Debt <u>Retired</u>	Other Changes in General Long-Term Obligations	Balance, <u>June 30, 2001</u>
General Obligation Bonds Payable	\$ 858,273	\$ 112,480	\$ (72,044)		\$ 898,709
General Obligation Commercial Paper Payable	209,746	148,449	(117,680)		240,515
Claims Payable	111,552			21,676	133,228
Accrued Annual and Compensatory Leave	139,017			\$ 19,061	158,078
Lease Obligation Payable	496			(50)	446
Total General Long Term Obligations	<u>\$1,319,084</u>	<u>\$ 260,929</u>	<u>\$ (189,724)</u>	<u>\$ 40,687</u>	<u>\$1,430,976</u>

The \$133.228 million above for Claims Payable represents the long-term obligation of \$65.361 million for Underground Storage Tanks, a Special Revenue Fund; \$22.262 million from Highway Fund, a Special Revenue Fund; and \$45.605 million payable from the General Fund.

Some \$11.8 million in commercial paper payable was issued to finance construction projects for facilities owned by the Facilities Revolving Fund, an Internal Service fund. This commercial paper payable is reported as a liability of the Facilities Revolving Fund which is responsible for paying the debt service. These construction projects were managed by the Capital Projects Fund.

- E. General Obligation Bonds Authorized and Unissued - A summary of general obligation bonds authorized and unissued at June 30, 2001 is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

<u>Purpose</u>	Unissued <u>July 1, 2000</u>	<u>Canceled</u>	Unissued <u>June 30, 2001</u>
Highway	\$ 729,200	\$ 87,700	\$ 641,500
Higher Education	27,100	3,701	23,399
Environment and Conservation	49,307	13,018	36,289
General Government	618,808	154,130	464,678
Local Development Authority	25,800	1,000	24,800
Other	<u>500</u>	<u>165</u>	<u>335</u>
Totals	<u>\$ 1,450,715</u>	<u>\$ 259,714</u>	<u>\$ 1,191,001</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- F. Capital Lease Obligations – The State leased a building for a vocational training center. The lease provides an option to purchase the building within the twelve-year lease period. Capital lease obligations are payable from resources of the General Fund. The effective interest rate is 5.1%. The property has been reported in the General Fixed Assets Account (GFAAG) group. In addition, Records Management (an internal service fund) leased an imaging system with an option to purchase within the five-year lease period. The effective interest rate is 2.65%. This capital lease obligation and asset are reported in the internal service fund (ISF).

	<u>2001</u>
Land	\$ 56,000
Building	\$ 605,000
Equipment	\$ 140

At June 30, 2001, minimum annual lease payments are as follows (expressed in thousands):

<u>For the Year(s)</u> <u>Ended June 30</u>	<u>GFAAG Lease</u> <u>Obligation Payable</u>	<u>ISF Lease</u> <u>Obligation Payable</u>
2002	\$ 74	\$ 30
2003	74	30
2004	74	30
2005	74	30
2006	74	2
2007-2009	<u>166</u>	<u> </u>
Total	536	122
<u>Less - Interest</u>	<u>90</u>	<u>6</u>
Present value of net minimum lease payments	<u>\$446</u>	<u>\$116</u>

- G. Component Units -Tennessee Housing Development Agency (THDA)

Bonds Payable and Notes at June 30, 2001, are shown below (expressed in thousands):

Revenue Bonds Payable - Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 3.2% to 8.125%, due in amounts of principal and interest ranging from \$145.1 million in 2002 to \$1.4 million in 2033	\$1,856,325
Less: Unamortized bond refunding costs	<u>(5,830)</u>
Net Bonds Payable	<u>\$1,850,495</u>

THDA Homeownership Program Convertible Drawdown Notes, at 5.307% interest
rate due December 2001 \$ 84,865

The revenue bonds and notes listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Housing Development Agency (THDA).

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Debt service requirements to maturity for these revenue bonds payable at June 30, 2001, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds		Total Requirements
	Principal	Interest	
2002	\$ 43,030	\$ 102,113	\$ 145,143
2003	44,772	102,372	147,144
2004	46,199	100,430	146,629
2005	51,952	99,784	151,736
2006	57,481	99,204	156,685
2007-2011	279,780	442,236	722,016
2012-2016	340,136	371,550	711,686
2017-2021	376,470	250,906	627,376
2022-2026	345,075	129,665	474,740
2027-2031	236,755	38,201	274,956
2032-2033	10,965	434	11,399
	<u>\$1,832,615</u>	<u>\$1,736,895</u>	<u>\$ 3,569,510</u>

The above principal for revenue bonds is less than that presented on the accompanying financial statements by \$17.88 million. Of this amount, \$23.71 million represents accretion to date of interest on deep discount bonds in those years preceding the first principal payment on these bonds. This accretion has been reported above as interest in the years on which the bonds mature (2002-2017). In addition, \$5.83 million, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

Bond sales during the year ended June 30, 2001 included the following issues:

May 2001 - THDA program bonds of \$135.39 million.

During the year ended June 30, 2001, prepayments were used to retire bonds at par before maturity in the Mortgage Finance Program in the amount of \$3.05 million and in the Homeownership Program in the amount of \$20.588 million. The respective carrying values of these bonds were \$3.0238 million and \$20.431 million. This resulted in a loss to the Mortgage Finance Program of \$26 thousand and the Homeownership Program of \$157 thousand.

On July 1, 2000, the agency used \$29.914 million of Bond Issue 2002-2 A & B and \$5.27 million of convertible notes to refund certain bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of those bonds was \$35.058 million. The refunding resulted in a difference of \$126 thousand between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031. The refunding increased the agency's debt service over the next 19 years by \$55.516 million; however, the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$6.69 million.

On December 15, 2000, the agency issued \$200 million of convertible drawdown notes of which \$44.705 million (\$35.96 million early redemption and \$8.745 million current maturities) was used to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of those bonds was \$44.401 million. The refunding resulted in a difference of \$304 thousand between the reacquisition price and the net carrying amount of the old debt. This difference is reported in the accompanying financial statements as a charge to operations.

On May 31, 2001, the agency issued \$135.39 million in Homeownership Program Bonds of which \$127.53 million will be used on July 1, 2001 to refund bonds previously issued in the Mortgage Finance Program.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

H. Component Units - Tennessee Local Development Authority (TLDA)

Bonds Payable and Notes Payable at June 30, 2001, are shown below (expressed in thousands):

Tennessee Local Development Authority revenue bonds, 4.75% to 5.75%, due in generally decreasing amounts of principal and interest from \$7 million in 2002 to \$16 thousand in 2022	\$ 56,111
Less: Unamortized bond refunding costs	<u>(1,552)</u>
Net Bonds Payable	<u>\$ 54,559</u>
 Tennessee Local Development Authority revenue bond anticipation notes, \$45.025 million at 4% due June 2002	 <u>\$ 45,025</u>

The revenue bonds and revenue bond anticipation notes listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA).

Prior Year Defeasance of Debt. In prior years, the authority defeased certain revenue bonds of the Community Provider Programs by placing the proceeds of general obligation notes in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the authority's financial statements. On June 30, 2001, \$20.375 million of bonds outstanding are considered defeased.

Debt Service requirements to maturity for TLDA's revenue bonds payable at June 30, 2001 are as follows (expressed in thousands):

For the Year(s) <u>Ended June 30</u>	<u>Revenue Bonds</u>		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2002	\$ 3,974	\$ 2,985	\$ 6,959
2003	4,174	2,784	6,958
2004	4,064	2,571	6,635
2005	4,204	2,358	6,562
2006	3,494	2,138	5,632
2007-2011	17,783	7,970	25,753
2012-2016	14,376	3,329	17,705
2017-2021	4,029	412	4,441
2022	13	3	16
	<u>\$ 56,111</u>	<u>\$ 24,550</u>	<u>\$ 80,661</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

I. Component Units - Tennessee State School Bond Authority (TSSBA)

Bonds and Commercial Paper Payable at June 30, 2001 are shown below (expressed in thousands):

Tennessee State School Bond Authority revenue bonds, various Series, 3% to 7.75%, due in decreasing amounts of principal and interest from \$38 million in 2002 to \$4.1 million in 2030 \$ 361,814

Less: Unamortized bond refunding costs (2,589)
Net Bonds Payable 359,225

Tennessee State School Bond commercial paper, variable rate \$ 60,277

The revenue bonds and commercial paper listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee State School Bond Authority (TSSBA).

Debt Service requirements to maturity for TSSBA's revenue bonds payable at June 30, 2001 are as follows (expressed in thousands):

For the Year(s) <u>Ended June 30</u>	<u>Revenue Bonds</u>		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2002	\$ 18,736	\$ 19,267	\$ 38,003
2003	18,075	18,490	36,565
2004	18,861	17,718	36,579
2005	16,381	16,863	33,244
2006	14,277	16,137	30,414
2007-2011	83,930	69,135	153,065
2012-2016	60,645	43,953	104,598
2017-2021	54,633	27,912	82,545
2022-2026	45,809	13,788	59,597
2027-2030	20,653	2,666	23,319
	<u>\$352,000</u>	<u>\$245,929</u>	<u>\$ 597,929</u>

The above principal for revenue bonds is less than that presented on the accompanying financial statements by \$7.225 million. Of this amount, \$9.814 million represents accretion to date of interest on deep discount bonds in those years preceding the first principal payment on these bonds. This accretion has been reported above as interest in the years on which the bonds mature (2002-2010). In addition, \$2.589 million, which is a deduction from bonds payable for the deferred amount on refunding, is not reflected in above presentation.

On November 1, 2000, the Authority issued two series of bonds. The 2000 Series A tax-exempt bonds in the amount of \$70.68 million were issued to redeem \$67.5 million of the Authority's tax-exempt commercial paper, and the 2000 Series B taxable bonds in the amount of \$33.73 million were issued to redeem \$19.4 million of the Authority's taxable commercial paper. The balance of the proceeds was used to pay for new construction projects and various costs of issuance.

Prior-Year Defeasance of Debt. In prior years, the authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the authority's financial statements. On June 30, 2001, \$82.61 million of bonds outstanding are considered defeased.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Commercial Paper Program. The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. The maximum amount of principal may not exceed \$150 million. At June 30, 2001, \$60.277 million of tax-exempt commercial paper was outstanding.

The commercial paper is a special obligation of the Authority. The commercial paper dealer is J. P. Morgan. Commercial paper principal and interest may be paid from: (i) the proceeds of draws on the Liquidity Facility, (ii) Available Revenues, (iii) the moneys and securities (if any) on deposit in the commercial paper and reimbursement account and in the Debt Service Fund, (iv) the moneys and securities (if any) on deposit in the Project Construction Account for such projects, and (v) the proceeds of bonds, notes or other evidences of indebtedness to the extent set aside to make such payments.

The maturity of the paper may not exceed 270 days and the maximum interest rate may not exceed 12%. Upon maturity, the paper is remarketed by the commercial paper dealer, redeemed, or extinguished with long-term debt. The Commercial Paper bears interest at a variable rate that is paid upon maturity.

The Commercial Paper liquidity provider, under an Advance Agreement, is *Westdeutsche Landesbank Girozentrale*, New York branch. The total available commitment is \$152.25 million. The obligation of *Westdeutsche Landesbank Girozentrale* is to purchase unremarketed Commercial Paper.

NOTE 4 - INSURANCE RELATED ACTIVITIES

- A. Teacher Group Insurance - The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and other education system employees of the political subdivisions of the state. In accordance with Tennessee Code Annotated 8-27-302 all local education agencies are eligible to participate. Fund members at June 30, 2001, included 122 local education agencies and two education cooperatives, with 40,485 teachers and support personnel, and 2,789 retirees enrolled in one of three health care options: preferred provider plan, point of service plan, or a health maintenance organization. The state does not retain any risk for losses by this fund.

The Teacher Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal law and regulation. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and insure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan. In the case of individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. At June 30, 2001, the Local Education Insurance Committee had established reserve requirements, based upon claims payments for the prior 12 months, of: 15% for the PPO option; 18% for the POS option and 16% for the HMO option. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Teacher Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Eighth Avenue North, 14th Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 741-0431.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	<u>2001</u>	<u>2000</u>
Unpaid Claims at Beginning of Year	\$ 17,516	\$ 15,093
Incurring Claims, Provision for Insured Events of the Current Year	<u>163,316</u>	<u>113,760</u>
Total Incurred Claims Expenses	180,832	128,853
Payments	<u>156,402</u>	<u>111,337</u>
Total Unpaid Claims at End of the Year	<u>\$ 24,430</u>	<u>\$ 17,516</u>

- B. Local Government Group Insurance - The Local Government Group Insurance Fund, a public entity risk pool, was established in July 1991 to provide a program of health insurance coverage for employees of local governments and quasi-governmental organizations that were established for the primary purpose of providing services for or on the behalf of state and local governments. In accordance with Tennessee Code Annotated 8-27-207 all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2001, included 49 counties, 101 municipalities and 225 quasi-governmental organizations, with 19,220 employees and 607 retirees maintaining coverage through one of three options: preferred provider plan, point of service plan, or a health maintenance organization. The state does not retain any risk for losses by this fund.

The Local Government Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, the processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal law and regulation. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and insure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan. In the case of individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

The Local Government Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. At June 30, 2001, the Local Government Insurance Committee had established reserve requirements, based upon claims payments for the prior 12 months, of: 15% for the PPO option; 18% for the POS option and 16% for the HMO option. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Local Government Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Local Government Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Eighth Avenue North, 14th Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 741-0431.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

As discussed above, the Local Government Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	<u>2001</u>	<u>2000</u>
Unpaid Claims at Beginning of Year	\$ 3,910	\$ 3,231
Incurred Claims, Provision for Insured Events of the Current Year	<u>61,324</u>	<u>28,825</u>
Total Incurred Claims Expenses	65,234	32,056
Payments	<u>55,984</u>	<u>28,146</u>
Total Unpaid Claims at End of the Year	<u>\$ 9,250</u>	<u>\$ 3,910</u>

- C. Risk Management - It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice and workers' compensation. The state management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Claims Award Fund (CAF). CAF services claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. All agencies and authorities of the state participate in CAF, except for the Supreme Court Boards, The Dairy Promotion Board, and Certified Cotton Grower's Organization (a component unit). CAF allocates the cost of providing claims servicing and claims payment by charging a premium to each agency based on a percentage of each organization's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year end to determine the fund liability and premium allocation.

CAF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process does not result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 2001 the amount of these liabilities was \$69.8 million, which are discounted at 4.96%. Changes in the balances of claims liabilities during fiscal years 2000 and 2001 were as follows (expressed in thousands):

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and <u>Changes in Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
1999-2000	\$ 61,561	\$ 24,068	\$ (22,522)	\$ 63,107
2000-2001	\$ 63,107	\$ 30,040	\$(23,308)	\$ 69,839

At June 30, 2001, CAF held \$76.2 million in cash and cash equivalents designated for payment of these claims.

The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The insurance policy deductibles vary from \$1 million to \$5 million by type of risk coverage. Based on past experience, a designation of \$5 million for deductibles and \$3.731 million for incurred losses has been established in the General Fund.

In fiscal year 2000, the cost to repair tornado damage at Austin Peay State University exceeded insurance coverage by \$6.196 million.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- D. Employee Group Insurance - The Employee Group Insurance Fund, an entity other than a pool, was established in 1979 to provide a program of health insurance coverage for the employees of the state with the risk retained by the state, therefore it is accounted for as an Internal Service Fund. In accordance with Tennessee Code Annotated 8-27-201 all state employees, retirees, and former employees with work related injuries are eligible to participate. Fund members at June 30, 2001, included 64,873 employees and 5,918 retirees enrolled in one of three options: preferred provider plan, point of service plan, or Health Maintenance Organization.

The Employee Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. At June 30, 2001, the State Insurance Committee had established reserve requirements, based upon claims payments for the prior 12 months, of: 15% for the PPO option; 18% for the POS option and 16% for the HMO option. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Employee Group Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed above, the Employee Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	<u>2001</u>	<u>2000</u>
Unpaid Claims at Beginning of Year	\$ 34,391	\$ 33,682
Incurred Claims, Provision for Insured Events of the Current Year	<u>279,962</u>	<u>211,525</u>
Total Incurred Claims Expenses	314,353	245,207
Payments	<u>271,884</u>	<u>210,816</u>
Total Unpaid Claims at End of the Year	<u>\$ 42,469</u>	<u>\$ 34,391</u>

- E. Medicare Supplement Insurance - In 1988, the State of Tennessee adopted legislation authorizing the provision of Medicare Supplement coverage for qualified retired state employees and teachers. Instituted in January 1989, the coverage was offered on a fully insured basis through December 2000. On January 1, 2001, the financial arrangement was converted to self-insured and a third plan option offered to participants.

In accordance with Tennessee Code Annotated 8-27-701, et. seq, the State Insurance Committee established a Medicare Supplement Insurance Fund, a public entity risk pool, on January 1, 2001. Fund members at June 30, 2001 include 20,739 retirees and dependents who selected one of three plan offerings; Plan One (NAIC Plan D), Plan Two (NAIC Plan H) and Plan Three (a PPO maintenance of benefit option).

The Medicare Supplement Insurance fund assumes responsibility for determining plan benefits and eligibility, establishing premiums sufficient for fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing of claims submitted for services provided to plan participants, communicating with plan participants and complying with appropriate state and federal law and regulation. Plan participants are required to: pay premiums on time, provide for the filing of claims for services received, and report changes in eligibility of themselves and their dependents.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

The Medicare Supplement Insurance Fund establishes claims liabilities for the self-insured coverage based on estimates of claims that have been reported but not settled, and of claims that have been incurred but not reported. The insurance company that provided the fully insured coverage until January 2001 has recommended that the Fund establish an initial reserve for this purpose of 27% of annual claims payments. Claims liabilities will be periodically recomputed as the data to determine the reserve requirements become available. The Medicare Supplement Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed above, the Medicare Supplement Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past year (expressed in thousands):

	<u>2001</u>
Unpaid Claims at Beginning of Year	\$ 0
Incurred Claims, Provision for Insured Events of the Current Year	<u>10,292</u>
Total Incurred Claims Expenses	10,292
Payments	<u>9,265</u>
Total Unpaid Claims at End of the Year	<u>\$ 1,027</u>

NOTE 5 - PENSION PLANS

- A. State Defined Benefit Plan - The State of Tennessee contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) and consisting of 140 participating employers. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established by state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent; a COLA of one percent will be granted if the CPI increases between one-half percent and one percent; the maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

Plan members are noncontributory. The State of Tennessee is required to contribute at an actuarially determined rate. The current rate is 6.19% of annual covered payroll. The contribution requirements of the State of Tennessee are established and may be amended by the TCRS Board of Trustees. The State's contributions to TCRS for the years ending June 30, 2001, 2000, and 1999, were \$232.149 million, \$252.162 million and \$244.453 million respectively, equal to the required contributions for each year.

- B. Political Subdivision Defined Benefits Plan - TCRS administers the Political Subdivision Pension Plan (PSPP), which is an agent multiple-employer defined benefit pension plan that covers employees of 394 participating political subdivisions. The PSPP provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan prior to July 1, 1979 are vested after four years of service. Members joining on or after July 1, 1979 are vested upon completion of 10 years of service, unless five years vesting is authorized by resolution of the chief governing body. Benefit provisions are established and amended by state statute. Cost of living adjustments (COLA) are the same as provided by SETHEPP except that the local government may elect (a) to provide no COLA benefits or (b) to provide COLA benefits under a non-compounding basis rather than the compounded basis applicable under SETHEPP. Pursuant to Article Two, Section 24 of the Constitution of the State of Tennessee, the state cannot mandate costs on local governments. Any benefit improvement may be adopted by the governing body of a governmental entity participating in the TCRS.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPP. The PSPP report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

- C. Defined Contribution Plan - The Optional Retirement Plan (ORP) as administered by the Tennessee Treasury Department is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. State statutes are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the Tennessee Board of Regents institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Plan members are noncontributory. The State of Tennessee contributes 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. The required contributions made by the State of Tennessee to the ORP were \$59.2 million for the year ending June 30, 2001.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- D. Deferred Compensation - The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401 (k). All costs of administering and funding these programs are the responsibility of plan participants.

The Section 401(k) and Section 457 plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. During the year ended June 30, 2001, contributions totaling \$59.1 million were made by employees participating in the plans. Another \$5.8 million was contributed by the State as matching contributions up to \$20 per employee per month for the 401(k) plan match.

NOTE 6 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS

- A. General - The state offers an opportunity to its employees and eligible retirees to participate in a self-insured indemnity policy, a point of service plan, or health maintenance organizations. This post employment benefit is authorized under Tennessee Code Annotated 8-27-205. The indemnity policy (preferred provider plan) provides benefits to plan participants in a comprehensive, major medical format involving a \$250 calendar year deductible and a \$1,250 per individual out-of-pocket limit. The plan incorporates typical provisions relating to utilization review, medical necessity, pre-existing conditions, coordination of benefits and subrogation of expenses. The plan offers benefit incentives for the use of designated providers and the plan maintains limitations on benefits provided for the treatment of mental illness and substance abuse.
- B. Retirees - Retirees who are not yet eligible for Medicare benefits may continue participation in the plan subject to certain length of service and participation requirements. Upon Medicare eligibility, the retiree is afforded the opportunity to participate in a self-insured supplement policy not associated with the plan. The state pays a service determined amount for retirees who participate in the state sponsored Medicare supplement policy.

The funds collected for the plan's operation are recorded in the employee group insurance account. The plan's premiums are intended to fund benefits on a pay-as-you-go basis and no specified reserves have been established to fund retiree health benefits. Current retiree premium rates are based upon the retiree's length of service and range from 20 percent to 40 percent of the plan's total premium. The state provides no direct funding of retiree health benefits.

During the 2000-2001 fiscal year, the Preferred Provider Plan provided approximately \$28.3 million in benefits to an average of 4,810 retired employee participants.

- C. Cobra - Federal law requires large employers to continue health insurance benefits to employees who have terminated employment for up to 18 months. The former employees must pay 102 percent of the total premium (employee plus employer share), funded on a pay as you go basis. Insurance coverage is not mandatory if the former employee is eligible for Medicare or has coverage with another group medical plan. The state covered an average of 250 former employees during fiscal year 2000-2001, and the Preferred Provider Plan paid approximately \$1.5 million in benefits to this group.

NOTE 7 - INVESTMENT POOL

The State Pooled Investment Fund (SPIF) is an external investment pool sponsored by the State of Tennessee. The external portion of SPIF is the Local Government Investment Pool (LGIP) and is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the state and its component units, has been included in the various funds and component units.

A copy of the SPIF report can be obtained by writing Tennessee Treasury Department, Accounting Division, 9th Floor Andrew Jackson Building, Nashville, TN 37243-0231 or by calling (615) 741-1337.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

NOTE 8 - DEPOSITS AND INVESTMENTS

- A. Investment Policy - The Pooled Investment Fund, administered by the State Treasurer, is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that Board gives the Treasurer approval to invest in collateralized certificates of deposit in authorized state depositories; prime commercial paper and prime banker's acceptances; bonds, notes and bills of the United States Treasury or other obligations guaranteed as to principal and interest by the United States or any of its agencies and in repurchase agreements for obligations of the United States or its agencies which are fully guaranteed as to principal and interest by the United States; and in certain obligations of the state. This resolution further states that the dollar weighted average maturity of the State Pooled Investment Fund shall not exceed 90 days and that no investment may be purchased with a remaining maturity of greater than 397 calendar days.

The State Pooled Investment Fund is also authorized by policy to contractually loan securities to investment brokers. The contract for a security loan provides that the fund loan specific securities from its holdings to the broker in return for collateral securities. Statute requires that the loaned securities be collateralized at 102% of their market value. There were no securities on loan from the State Pooled Investment Fund during fiscal year 2001.

Statutes require the state deposits be secured by collateral securities with a market value of 105% of the face of the deposit secured thereby after considering the applicable FDIC coverage, or the depository must be a member of the State Collateral Pool and the pool must have securities pledged which in total equal the required percentage established by the Collateral Pool Board.

Certificates of deposit are not placed or renewed with a financial institution until adequate collateral is pledged. Open accounts maintained for deposit of state revenues are collateralized on an estimate of the average daily balance in the account based on previous balances and monitored for variation to actual balances. The Treasurer is required, by statute, to evaluate the market value of required collateral monthly, and more frequently if market conditions require. Further, statutes provide the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All repurchases are done with primary dealers in government securities which have executed a master repurchase agreement with the State. The policy guidelines approved by the State Funding Board require that the market value of the securities underlying the repurchase agreement be at least 102% of the cash investment. The policy also requires that collateral securities be marked-to-market daily and be maintained at a value equal to or greater than the cash investment. Prime commercial paper may be acquired from authorized broker dealers or directly from the issuer. There is no collateral requirement for prime commercial paper.

The Tennessee Consolidated Retirement System (TCRS), in addition to the guidelines outlined for the Pooled Investment Fund, may invest in long-term investments. The TCRS may invest in bonds, debentures, preferred stock and common stock, and other good and solvent securities subject to the TCRS Board of Trustees approval. The Board has also authorized limited investments of securities in some foreign countries. TCRS may also invest in multifamily residential real estate through direct equity investment vehicles including, but not limited to, sole proprietorship and joint ventures.

B. Valuation of Investments

1. State Pooled Investment Fund – The SPIF is not registered with the Securities and Exchange Commission (SEC) as an investment company but, through its investment policy adopted by the Funding Board of the State of Tennessee (Funding Board), operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost to report net assets in computing share prices. Likewise, the SPIF uses amortized cost accounting measures to report investments and share prices. During the fiscal year ended June 30, 2001, the State had not obtained or provided any legally binding guarantees to support the value of participant shares.
2. Other Investments – Investments not included in the SPIF are valued at fair value.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- C. Securities Lending - The TCRS and the Chairs of Excellence (COE), a non-expendable trust fund, are authorized by their investment policies, as adopted by their boards, to enter into collateralized securities lending agreements whereby the TCRS and COE loans its debt and equity securities for a fee to a select few of the highest quality securities firms and banks. Loans must be limited so the total amount on loan does not exceed 30 percent of the TCRS' and COE's assets. The TCRS' and COE's custodian bank manages the lending program and maintains the collateral on behalf of the TCRS and COE. The borrower may deliver collateral to the lending agent in the form of cash or bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies or by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association and other United States government sponsored corporations or enterprises. Cash received as collateral may be reinvested by the lending agency in accordance with the investment policy, as further restricted under the TCRS and COE securities lending agreement. Collateral securities cannot be pledged or sold unless the borrower defaults.

The loaned securities are initially collateralized at 102 percent of their fair value for domestic securities and 105 percent for international. Collateral is marked-to-market daily and additional collateral is pledged by the borrower if the fair value of the collateral subsequently falls below 100 percent for domestic securities and 105 percent for international. Although there is no specific policy for matching the maturities of the collateral investments and the securities loans, all securities on loan can be terminated on demand by either the TCRS/COE or the borrower. At year-end, TCRS and COE had no securities on loan.

- D. Financial Instruments with Off-Balance Sheet Risk – The TCRS is party to financial instruments with off-balance sheet risk used in the normal course of business to generate earnings and reduce its own exposure to fluctuations in market conditions. The TCRS is authorized by statute to engage in forward contracts to exchange different currencies at a specified future date and rate and in domestic stock index futures contracts. These contracts involve elements of custodial credit, market and legal risk in excess of amounts recognized in the balance sheet. The TCRS may purchase or sell domestic stock index futures contracts for the purposes of making asset allocation changes and improving liquidity. The contractual or notional amounts express the extent of the TCRS' involvement in these instruments and do not represent exposure to credit loss. The credit risk on forward and futures contracts is controlled through limits and monitoring procedures. Market risk, the risk that changing market conditions may make a financial instrument less valuable, is controlled through limitations on the use of such instruments. Legal risk is controlled through the use of only authorized instruments and brokers. The allowable currencies for hedging purposes are limited by policy on the Board of Trustees to the currencies of those countries otherwise authorized for investment.

At June 30, 2001, there were forward exchange contracts outstanding at a total net notional amount of \$17,113,000 and a fair value of \$17,392,319.

At June 30, 2001, the TCRS was not under any futures contracts. The changes in fair value of outstanding futures contracts are settled daily.

The TCRS invests in collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The CMOs held were issued by quasi-U.S. governmental agencies. At June 30, 2001, TCRS held no CMOs. The TCRS also invests in various asset-backed securities, representing ownership interests in trusts consisting of credit card or auto loan receivables. These securities are issued by organizations with AAA or AA credit ratings. TCRS invests in these securities primarily to enhance returns by taking advantage of opportunities available in this sector of the securities markets.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- E. Deposits - Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the state. Category 1 consists of deposits that are insured or collateralized with securities held by the state or by its agent in the state's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the state's name. Category 3 deposits are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the state's name.

At year end, the carrying amount of deposits in all funds was \$1,023.974 million and the bank balance, including accrued interest, was \$1,216.743 million. Of the bank balance, \$1,216.151 million was (category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's account and \$592 thousand was (category 3) uninsured and uncollateralized.

The carrying value of cash and investments includes \$436.141 million of funds reported as component units.

Cash on deposit with fiscal agent includes \$5.074 million of cash held in a custody account by State Street Bank under a contractual arrangement for master custody services. Monies with the custodial agent are not classified by credit risk, as the custody account relationship does not meet the definition for either a deposit with a financial institution or a security.

- F. Investments - Investments are also required to be categorized to indicate the level of risk assumed by the state. Category 1 consists of investments that are insured or registered or for which the securities are held by the state or its agent in the state's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent in the state's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent but not in the state's name. Investments are categorized below for all funds (expressed in thousands):

PENSION TRUST, POOLED INVESTMENT, AND OTHER FUNDS

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash Equivalents and Short-Term Investments:					<u>6/30/01</u>
Commercial Paper	\$ 1,910,100			\$ 1,910,100	\$ 1,894,588
Repurchase Agreements	57,000			57,000	57,000
Government Securities	2,629,841			2,629,841	2,632,091
Corporate Securities	<u>15,320</u>			<u>15,320</u>	<u>15,320</u>
Total Cash Equivalents and Short-Term Investments	<u>4,612,261</u>			<u>4,612,261</u>	<u>4,598,999</u>
Long-Term Investments:					
Government Securities - not on loan	8,962,085			8,962,085	8,962,085
Corporate Bonds	3,606,518			3,606,518	3,606,518
Corporate Stocks	9,200,468			9,200,468	9,200,468
Short Term Securities Lending Collateral			\$ 113,686	<u>113,686</u>	<u>113,686</u>
Total Long-Term Investments	<u>21,769,071</u>		<u>113,686</u>	<u>21,882,757</u>	<u>21,882,757</u>
Corporate Stocks				97,563	97,563
Mutual Funds				8,675	8,675
Unsettled Investment Acquisitions:					
Government Bonds				117,762	117,762
Corporate Stocks				545,586	545,586
Real Estate				290,382	290,382
Unemployment Compensation Pool				<u>817,254</u>	<u>817,254</u>
Total Investments and Cash Equivalents	<u>\$26,381,332</u>		<u>\$ 113,686</u>	<u>\$28,372,240</u>	<u>\$28,358,978</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

G. Component Units

The various component units are generally governed by the same basic State statutes as the State's investments described in Note 8A.

1. University of Tennessee

At year end, the carrying amount of deposits for the University of Tennessee was \$20.042 million and the bank balance was \$17.533 million. Of this balance, \$17.376 million was (category 1) covered by insurance or collateral (valued at market) held in the University's name by independent custodial banks or segregated in the Federal Reserve Bank in the University's name and \$157 thousand was (category 3) uninsured and uncollateralized. During the year ended June 30, 2001, the University had uncollateralized deposits on several days of amounts up to \$4.820 million.

The investments for the University of Tennessee are categorized below (expressed in thousands):

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
					<u>6/30/01</u>
Cash Equivalents:					
Commercial Paper	\$ 127,332			\$ 127,332	\$ 127,332
Repurchase Agreements	23,000	\$ 1,000		24,000	24,000
Government Securities	<u>213,241</u>			<u>213,241</u>	<u>213,241</u>
Total Cash Equivalents	<u>363,573</u>	<u>1,000</u>		<u>364,573</u>	<u>364,573</u>
Investments:					
Government Securities	11,965	41,797		53,762	53,762
Corporate Bonds	2,785	26,739		29,524	29,524
Corporate Stocks	134,240	8,652		142,892	142,892
Assets with Trustees			\$ 4,661	4,661	4,661
Collateralized Mortgage Securities	2,286			2,286	2,286
Other	181			181	181
Total Investments	<u>151,457</u>	<u>77,188</u>	<u>4,661</u>	<u>233,306</u>	<u>233,306</u>
	<u>\$ 515,030</u>	<u>\$ 78,188</u>	<u>\$ 4,661</u>	<u>597,879</u>	<u>597,879</u>
Limited Partnership-Venture					
Capital Funds				36,485	36,485
Real Estate Equity				20,167	20,167
Mutual Funds				140,369	140,369
Real Estate Gifts				7,429	7,429
Cash Equivalents - assets with bank as custodian				4,133	4,133
Investments in Hedge Funds				36,217	36,217
Other				<u>125</u>	<u>125</u>
Total Investments and Cash Equivalents	<u>\$ 515,030</u>	<u>\$ 78,188</u>	<u>\$ 4,661</u>	<u>\$ 842,804</u>	<u>\$ 842,804</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

2. Tennessee Board of Regents

At year end, the carrying amount of deposits for the Tennessee Board of Regents was \$48.058 million and the bank balance was \$66.688 million. Of the bank balance, \$66.325 million was (category 1) covered by insurance or collateral (valued at market) held in the schools' name by independent custodial banks or segregated in the Federal Reserve Bank in the schools' name, and \$363 thousand was (category 3) uninsured and uncollateralized. In addition, at June 30, 2001, the schools had \$271.930 million being held by the State in the Local Government Investment Pool.

The investments for the Tennessee Board of Regents are categorized below (expressed in thousands):

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Investments:					
Government Securities	\$ 43,120	\$ 5,336	\$ 2,699	\$ 51,155	\$ 51,155
Corporate Bonds	1,227	5,513	1,296	8,036	8,036
Corporate Stocks	9,431	10,402	2,404	22,237	22,237
Other	<u>5,647</u>		<u>42</u>	<u>5,689</u>	<u>5,689</u>
Total Long-Term Investments	<u>\$ 59,425</u>	<u>\$ 21,251</u>	<u>\$ 6,441</u>	87,117	87,117
Mutual Funds				16,021	16,021
Annuity				<u>180</u>	<u>180</u>
Total Investments and Cash Equivalents				<u>\$ 103,318</u>	<u>\$ 103,318</u>

3. Tennessee State School Bond Authority

At year end, the carrying amount and bank balance of deposits was \$21 thousand for the Tennessee State School Bond Authority (TSSBA). Until December 10, 2000, TSSBA's deposits were held in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure. After December 10, 2000, these deposits were in financial institutions that do not participate in the bank collateral pool. All bank balances were insured. In addition, at June 30, 2001, TSSBA had \$28.405 million being held by the State in the State Pooled Investment Fund.

The investments for the Tennessee School Bond Authority are categorized below (expressed in thousands):

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Investments:					
Government Securities	<u>\$ 15,267</u>			<u>\$ 15,267</u>	<u>\$ 15,267</u>
Total Investments	<u>\$ 15,267</u>			<u>\$ 15,267</u>	<u>\$ 15,267</u>

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

4. Tennessee Housing Development Agency

Tennessee Housing Development Agency's (THDA) deposits were in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure. After December 10, 2000, some of the agency's deposits were in financial institutions that do not participate in the bank collateral pool.

At June 30, 2001, the carrying amount of the agency's deposits was \$21.858 million, and the bank balance was \$23.216 million. Of the bank balance, \$22.572 was insured and \$644 thousand was uninsured and uncollateralized. From December 11, 2000, to June 30, 2001, the agency had uncollateralized deposits of amounts up to \$4.177 million. All bank balances were insured. In addition, at June 30, 2001, THDA had \$32.698 million being held by the State in the State Pooled Investment Fund.

The investments for the Tennessee Housing Development Agency are categorized below (expressed in thousands):

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
					<u>6/30/01</u>
Cash Equivalents and Short-Term Investments:					
Repurchase Agreements	\$ 116,502		\$ 3,998	\$ 120,500	\$ 120,500
Government Securities	<u>247,166</u>			<u>247,166</u>	<u>247,166</u>
Total Cash Equivalents and Short-Term Investments	<u>363,668</u>		<u>3,998</u>	<u>367,666</u>	<u>367,666</u>
Long-Term Investments					
Government Securities	<u>419,483</u>			<u>419,483</u>	<u>419,483</u>
Long-Term Investments	<u>419,483</u>			<u>419,483</u>	<u>419,483</u>
Total Investments and Cash Equivalents	<u>\$ 783,151</u>		<u>\$ 3,998</u>	<u>\$ 787,149</u>	<u>\$ 787,149</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 2001. The estimated accumulated amount of unused sick leave at that date was \$351 million.
- B. Highway Construction Projects - At June 30, 2001, the Department of Transportation had contractual commitments of approximately \$529.4 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants (\$427.9 million) and general obligation bond proceeds (\$101.5 million).

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- C. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a component unit, operates the Guaranteed Student Loans Program. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 2001, TSAC was guarantor of \$2.515 billion in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.
- D. Nashville Correctional Facilities Revenue Bonds - In June 1991, revenue bonds were issued by the Metropolitan Government of Nashville which have an outstanding balance of some \$17.68 million as of June 30, 2001. These bonds are obligations of the Metropolitan Government of Nashville. The state is committed to pay Nashville for the housing of locally sentenced inmates, including debt service on the bonds.
- E. Operating Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Facilities Revolving Fund, an Internal Service Fund, has entered into various operating leases which have noncancelable lease terms. Below is a schedule of future minimum lease payments under these leases (expressed in thousands).

<u>For the Year(s)</u> <u>Ended June 30</u>	<u>Noncancelable</u> <u>Operating Leases</u>
2002	\$ 11,190
2003	9,487
2004	7,920
2005	4,882
2006	2,502
later years	<u>4,801</u>
Total Minimum Payments Required	<u>\$ 40,782</u>

Expenditures for rent under leases for the years ended June 30, 2001 and 2000 amounted to \$32.6 million and \$33.6 million, respectively.

- F. Litigation - A class action suit has been brought against the State, alleging that the State has failed to provide services to individuals with mental retardation and other developmental disabilities, which they are entitled to under Medicaid. Presently the State limits the number of individuals served under the Home and Community-Based Services Waiver and the plaintiffs assert that this is a violation of the Medicaid Act.

The small school systems in the state have previously filed suit against the state challenging the constitutionality of the funding formula for elementary and secondary education. In declaring the State's K-12 Better Education Program and its funding formula constitutional, the state Supreme Court also stated that the State must equalize teachers' salaries according to the BEP formula. In response, the General Assembly enacted the Teachers Salary Equity Plan, which plaintiff small school systems have challenged as inadequate. The trial court ruled in the State's favor and plaintiffs have appealed.

The State is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements. Although some of these lawsuits, including the two enumerated above may have a future budgetary programmatic impact, they will be addressed in future budgets.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2001

- G. Federal Grants - The state receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially, all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies or their representatives. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as either fund liabilities or liabilities of the General Long-Term Obligations Account Group when the loss becomes probable and reasonably estimable.

The Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA) performed a review of the provider taxes collected for the period beginning fiscal year 1992 through September 2000. The purpose of the review was to determine whether there was a positive correlation between the nursing home provider taxes and a state grant program for private pay patients of nursing homes (Grant Assistance Program). Because CMS believes there is a positive correlation between the nursing home provider taxes and the nursing home grant assistance program, it concluded that the provider taxes are impermissible resulting in a reduction in federal financial participation. On January 19, 2001, the State received a notice of disallowance for this tax for the period October 1, 1992 through September 30, 2000. On February 16, 2001, the State appealed the disallowance. On June 11, 2001, the State received a second notice of disallowance for the period October 1, 2000 through March 31, 2001. On July 6, 2001, the State appealed the second disallowance and the two disallowances have been consolidated for appeal. If the disallowances were ultimately upheld, then CMS would offset the disallowed amounts against future federal participation in TennCare. The State eliminated the Grant Assistance Program effective August 1, 2001, and does not believe that the collection of provider taxes after that date will be challenged by CMS. The State has reserved \$100 million in the General Fund toward any potential settlement or return of the disallowance amounts.

Other audits of the Medical Assistance Program (TennCare) have resulted in significant amounts of known and likely questioned costs that could be determined to be disallowances by the U.S. Department of Health and Human Services (HHS). These questioned costs relate to expenditure of resources for ineligible TennCare enrollees and for unauthorized services. The ultimate liability to the federal government, if any, cannot presently be determined. If HHS were to impose a liability, the state would appeal the decision.

Inconsistencies in the rate setting process for residential treatment services provided to children in state custody may have created over-billings to the TennCare Program. Any potential overpayment by HHS because of these inconsistencies cannot be quantified.

- H. Gain Contingencies - In November 1998, Tennessee joined 45 other states, the District of Columbia and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek redress against the tobacco companies for violations of state consumer and antitrust laws. The Master Settlement Agreement includes base payments to all states and territories totaling \$206 billion over the next 25 years, and continues in perpetuity. Tennessee's share of the settlement is expected to be \$4.8 billion through the year 2025. Third party lawsuits may affect future payments to Tennessee. Although Tennessee's share of the base payments may not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in the payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear.

NOTE 10 - SUBSEQUENT EVENTS

Component Units – Subsequent to June 30, Tennessee Housing Development Authority (THDA) issued \$60 million of revenue bonds in August 2001 and \$64.58 million in December 2001 for the Homeownership Program. THDA redeemed Homeownership and Mortgage Finance Program bonds in July and October for \$163.4 million.

Subsequent to June 30, the Tennessee State School Board Authority issued \$15.6 million in commercial paper.

STATE OF TENNESSEE
 MEDICARE SUPPLEMENT INSURANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 ONE-YEAR CLAIM DEVELOPMENT INFORMATION
 (Expressed in Thousands)

The table below illustrates how the Medicare Supplement Insurance Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Medicare Supplement Insurance Fund as of the end of each of the last year. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the Fund including overhead. (3) This line shows the Fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. (4) This section shows the cumulative amounts paid as of the end of successive years for each fiscal year. (5) This section shows how each fiscal year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal years.

	Fiscal Year Ended <u>2001</u>
(1) Net earned required contribution and investment revenues	20,145
(2) Unallocated expenses	2,375
(3) Estimated incurred claims and expense, end of fiscal year	10,292
(4) Paid (cumulative) as of: End of fiscal year	9,265
(5) Reestimated incurred claims and expense: End of fiscal year	10,292
(6) Increase (decrease) in estimated incurred claims and expense from end of fiscal year	0

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of interdepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A work program detailing anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. The budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the

state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses. It was a public endorsement of the state's long standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 2001-2002 budget is the state's twenty-third budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate.

STATE OF TENNESSEE
COMPARATIVE BALANCE SHEETS
GENERAL FUND
JUNE 30, 2001 and 2000

(Expressed in Thousands)

<u>ASSETS</u>	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 616,034	\$ 312,006
RECEIVABLES:		
TAXES	318,176	330,943
DUE FROM OTHER GOVERNMENTS	315,580	611,425
INTEREST	10,895	16,341
OTHER	94,907	237,453
ADVANCES TO COMPONENT UNITS(Note 2)	170	180
DUE FROM OTHER FUNDS(Note 2)	254,265	253,214
DUE FROM COMPONENT UNITS(Note 2)	2,978	3,530
FOOD STAMPS		498
PREPAYMENTS	70	15
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>1,613,075</u>	\$ <u>1,765,605</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUALS	\$ 349,139	\$ 594,337
ACCRUED PAYROLL AND RELATED DEDUCTIONS	48,759	41,411
DUE TO OTHER FUNDS(Note 2)	15,289	8,840
DUE TO COMPONENT UNITS(Note 2)	5,726	4,231
DEFERRED REVENUE	197,995	173,915
DEPOSITS PAYABLE	87	158
	<hr/>	<hr/>
TOTAL LIABILITIES	616,995	822,892
FUND BALANCE(Note 1 and 2):		
RESERVED FOR:		
RELATED ASSETS	30,620	3,743
ENCUMBRANCES AND CONTRACTS	8,477	11,719
CONTINUING APPROPRIATIONS	333,108	303,753
SPECIFIC PURPOSES:		
NURSING HOME GRANT SETTLEMENT	100,000	
TOBACCO SETTLEMENT		202,950
TITLE AND REGISTRATION SYSTEM	9,000	4,915
HUMAN SERVICES TEMPORARY ASSISTANCE	9,514	6,666
CIVIL DEFENSE DISASTER RELIEF	4,066	4,568
PROBATION SUPERVISION AND REHABILITATION	7,246	5,923
ARTS COMMISSION	3,602	3,651
COMMERCE AND INSURANCE REGULATORY BOARDS	5,246	2,224
OTHER SPECIFIC PURPOSES	23,237	21,124
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	178,000	165,100
DESIGNATED FOR FUTURE APPROPRIATIONS	274,976	198,826
DESIGNATED FOR INDUSTRIES FOR THE BLIND	132	132
DESIGNATED FOR CASUALTY LOSSES	8,731	7,256
UNDESIGNATED	125	163
	<hr/>	<hr/>
TOTAL FUND BALANCE	996,080	942,713
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,613,075</u>	\$ <u>1,765,605</u>

STATE OF TENNESSEE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 2001	JUNE 30, 2000
REVENUES:		
TAXES	\$ 3,704,038	\$ 3,657,007
LICENSES, FINES, FEES, AND PERMITS	100,851	94,640
INTEREST ON INVESTMENTS	77,488	41,514
FEDERAL	5,159,378	4,538,279
DEPARTMENTAL SERVICES	1,684,618	1,458,818
OTHER	344,334	342,844
TOTAL REVENUES	11,070,707	10,133,102
EXPENDITURES:		
GENERAL GOVERNMENT	332,990	318,222
HEALTH AND SOCIAL SERVICES	8,641,777	7,446,923
LAW, JUSTICE AND PUBLIC SAFETY	893,686	866,472
RECREATION AND RESOURCES DEVELOPMENT	267,460	296,708
REGULATION OF BUSINESS AND PROFESSIONS	49,377	45,618
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	406,312	381,805
TOTAL EXPENDITURES	10,591,602	9,355,748
EXCESS OF REVENUES OVER EXPENDITURES	479,105	777,354
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFERS FROM:		
SPECIAL REVENUE FUNDS	1,074	1,033
CAPITAL PROJECTS FUND	25	1,318
DEBT SERVICE FUND	39,200	35,687
EXPENDABLE TRUST FUNDS	204	180
OPERATING TRANSFERS TO:		
SPECIAL REVENUE FUNDS	(375,999)	(304,063)
DEBT SERVICE FUND	(3,997)	(3,501)
CAPITAL PROJECTS FUND	(53,889)	(38,993)
ENTERPRISE FUNDS	(6,601)	(2,880)
INTERNAL SERVICE FUNDS	(8,472)	(22,608)
COMPONENT UNITS	(47,991)	(39,683)
TOTAL OTHER FINANCING SOURCES (USES)	(456,446)	(373,510)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	22,659	403,844
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	19,391	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	42,050	403,844
FUND BALANCE, JULY 1	942,713	547,285
PRIOR PERIOD ADJUSTMENT	19,916	
FUND BALANCE (Restated), JULY 1	962,629	547,285
EQUITY TRANSFERS:		
(TO) INTERNAL SERVICE FUNDS	(2,924)	(2,064)
(TO) ENTERPRISE FUNDS	(5,675)	(6,352)
FUND BALANCE, JUNE 30 (Note 2)	\$ 996,080	\$ 942,713

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF REVENUES BY SOURCE
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED	
	JUNE 30, 2001	JUNE 30, 2000
TAXES:		
SALES AND USE	\$ 1,464,011	\$ 1,488,976
GASOLINE	9,918	4,448
MOTOR VEHICLE REGISTRATION	34,227	39,011
INCOME	199,397	179,904
PRIVILEGE	160,766	153,703
GROSS RECEIPTS	226,778	210,709
BEER	13,530	13,685
ALCOHOLIC BEVERAGE	30,043	29,289
MIXED DRINK	17,634	16,589
FRANCHISE	449,900	501,879
EXCISE	535,781	462,863
INHERITANCE AND ESTATE	89,676	94,704
TOBACCO	588	560
COIN-OPERATED AMUSEMENT	58	44
BUSINESS	21,509	21,877
INSURANCE COMPANIES PREMIUM	280,561	271,194
RETALIATORY	6,214	6,623
WORKERS COMPENSATION PREMIUM	23,831	22,723
MEDICAID PROVIDER	115,910	116,190
OTHER	23,706	22,036
TOTAL TAXES	3,704,038	3,657,007
LICENSES, FINES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	8,120	8,678
DRIVERS LICENSES	21,052	21,432
ARRESTS, FINES AND FEES	8,945	8,591
REGULATORY BOARD FEES	26,330	20,693
OTHER	36,404	35,246
TOTAL LICENSES, FINES, FEES AND PERMITS	100,851	94,640
INTEREST ON INVESTMENTS	77,488	41,514
FEDERAL-EARNED BY STATE DEPARTMENTS	5,159,378	4,538,279
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	320,417	294,776
INTERDEPARTMENTAL CHARGES	840,707	803,546
CHARGES TO CITIES, COUNTIES, ETC.	523,494	360,496
TOTAL DEPARTMENTAL SERVICES	1,684,618	1,458,818
OTHER	344,334	342,844
TOTAL REVENUES BY SOURCE	\$ 11,070,707	\$ 10,133,102

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED	
	JUNE 30, 2001	JUNE 30, 2000
GENERAL GOVERNMENT:		
LEGISLATIVE	\$ 25,031	\$ 24,194
SECRETARY OF STATE	27,575	26,199
COMPTROLLER	47,367	44,562
TREASURER	23,976	18,943
GOVERNOR	3,613	3,510
COMMISSIONS	49,957	45,072
FINANCE AND ADMINISTRATION	55,897	58,430
PERSONNEL	9,215	8,613
GENERAL SERVICES	16,115	15,529
REVENUE	58,637	53,096
MISCELLANEOUS APPROPRIATIONS	<u>15,607</u>	<u>20,074</u>
TOTAL GENERAL GOVERNMENT	<u>332,990</u>	<u>318,222</u>
HEALTH AND SOCIAL SERVICES:		
VETERANS AFFAIRS	2,704	2,628
LABOR AND WORKFORCE DEVELOPMENT	163,280	193,798
TENNCARE	5,488,798	4,531,001
MENTAL HEALTH AND MENTAL RETARDATION	632,831	568,769
HEALTH	352,096	301,715
HUMAN SERVICES	1,585,515	1,430,848
CHILDREN'S SERVICES	<u>416,553</u>	<u>418,164</u>
TOTAL HEALTH AND SOCIAL SERVICES	<u>8,641,777</u>	<u>7,446,923</u>
LAW, JUSTICE AND PUBLIC SAFETY:		
JUDICIAL	178,788	167,896
CORRECTION	443,917	433,800
PROBATION AND PAROLES	52,187	47,362
MILITARY	50,246	57,827
BUREAU OF CRIMINAL INVESTIGATION	37,452	36,248
SAFETY	<u>131,096</u>	<u>123,339</u>
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	<u>893,686</u>	<u>866,472</u>
RECREATION AND RESOURCE DEVELOPMENT:		
AGRICULTURE	44,695	75,181
TOURIST DEVELOPMENT	11,986	11,845
ENVIRONMENT AND CONSERVATION	145,032	146,872
ECONOMIC AND COMMUNITY DEVELOPMENT	<u>65,747</u>	<u>62,810</u>
TOTAL RECREATION AND RESOURCE DEVELOPMENT	<u>267,460</u>	<u>296,708</u>
REGULATION OF BUSINESS AND PROFESSIONS:		
COMMERCE AND INSURANCE	41,623	38,341
FINANCIAL INSTITUTIONS	<u>7,754</u>	<u>7,277</u>
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	<u>49,377</u>	<u>45,618</u>
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	<u>406,312</u>	<u>381,805</u>
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	\$ <u>10,591,602</u>	\$ <u>9,355,748</u>

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
<u>EXPENDITURES BY OBJECT</u>		
PERSONAL SERVICES	\$ 1,108,826	\$ 1,038,912
EMPLOYEE BENEFITS	295,297	264,793
TRAVEL	47,200	46,368
PRINTING, DUPLICATING AND FILM PROCESSING	13,655	14,074
UTILITIES AND FUEL	36,270	31,350
COMMUNICATION AND SHIPPING COST	24,034	24,287
MAINTENANCE, REPAIRS AND SERVICES	23,313	24,550
PROFESSIONAL AND ADMINISTRATIVE SERVICES	500,518	550,607
SUPPLIES	116,139	118,942
RENTALS AND INSURANCE	110,854	88,981
MOTOR VEHICLE OPERATION	2,268	2,088
AWARDS AND INDEMNITIES	23,059	18,557
GRANTS AND SUBSIDIES	7,849,108	6,711,535
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	27,190	27,267
EQUIPMENT	6,875	10,902
BUILDINGS	515	635
IMPROVEMENTS OTHER THAN BUILDINGS	169	95
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	<u>406,312</u>	<u>381,805</u>
TOTAL EXPENDITURES BY OBJECT	<u>\$ 10,591,602</u>	<u>\$ 9,355,748</u>

SPECIAL REVENUE FUNDS

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Education Fund - This fund is maintained to account for revenues and expenditures associated with programs involving the Department of Education and Higher Education. Funding for these programs is accomplished primarily from the dedicated sales and services taxes and federal monies received from the U. S. Department of Education.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986 the Department of Transportation began earning interest on certain unspent monies for a new highway construction program, while the General Fund earns the interest on the other highway program monies.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Criminal Injuries Compensation - The Treasury Department administers this fund for the award of compensation to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Solid Waste - This program is administered by the Department of Environment and Conservation. Revenues collected for a tipping fee on solid waste are used to provide grants to local governments to reduce the solid waste going into landfills.

Job Skills - This program is administered by the Department of Economic and Community Development. Revenues are collected from a tax on employer's wages. The revenues will be used to enhance employment opportunities and to meet the needs of existing and new industries in the state.

Environmental Protection - This program is administered by the Department of Environment and Conservation. Revenues collected from the various fees under the environmental protection fund are used to offset the cost of administering regulatory environmental programs.

Hazardous Waste - This program is administered by the Department of Environment and Conservation. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities.

Parks Acquisition - This program is administered jointly by the Departments of Environment and Conservation, Agriculture and Wildlife Resources. Revenues collected from the transfer of real property are used to acquire parks by both local and state governments.

Supreme Court Boards - This organization was formed by the Tennessee Supreme Court to consider and investigate any alleged ground for discipline or alleged incapacity of any attorney, to provide continuing legal education for attorneys and to protect clients from dishonest conduct by attorneys. Revenues are collected from attorneys.

Underground Storage Tanks - This program is administered by the Department of Environment and Conservation. Revenues are collected primarily from a tax of four tenths of a cent per gallon on petroleum products and an annual fee on owners and operators of underground storage tanks containing petroleum substances.

Enhanced Emergency 911 Service - This program is administered by the Department of Commerce and Insurance. Revenues are collected from a monthly fee on users of cellular telephone services. This fee is used to enhance the effectiveness of response times when a cellular user calls 911.

Other Special Revenue Funds - There are twelve programs included in this group, as follows:

1. Driver Education - This program is designed and coordinated by the Department of Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The \$2 fee for moving traffic violations is the source of funding for this program.
2. Abandoned Land Program - This program is administered by the Department of Environment and Conservation. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations.
3. Agricultural Non-Point Water Pollution - This program is administered by the Department of Agriculture. Revenues collected from the transfer of real property are used to abate pollution from agricultural sources.
4. Regulatory Boards - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers, affiliate real estate brokers or auctioneers. These revenues are used to pay court judgments for violations by brokers, contractors or auctioneers of the applicable acts or of any rules promulgated by the appropriate officials.
5. Salvage Title Enforcement - This program is administered by the Department of Safety. Revenues are collected on the titlement of salvage vehicles and are used to enforce motor vehicle title and salvage laws and inspection of rebuilt vehicles.
6. Dairy Promotion Board - This Board was formed to promote the consumption of milk and milk products. Revenue is derived from an assessment against commercial milk and milk product producers.
7. Drycleaner's Environmental Response - This program is administered by the Department of Environment and Conservation. Revenues collected from drycleaners are an annual registration fee and a fee for the various drycleaning solvents used.

8. Agricultural Regulatory - This program is administered by the Department of Agriculture. Revenues are collected from fees on the various agricultural related industries regulated by the department. These fees are then used in the administration of this regulatory function.
9. Tennessee Regulatory Authority - The authority is responsible for executing and enforcing all statutes governing utilities. Revenues are derived principally from inspection and supervision fees.
10. Small and Minority Telecommunications - This program provides loan guarantees and technical assistance to small and minority-owned telecommunication companies. Revenues are derived from a fee on telecommunication service providers.
11. Sex Offender Treatment Program - This program was formed to standardize the evaluation, identification, treatment and continued monitoring of sex-offenders. Revenue is derived from a fine on those convicted of a sex-offense.
12. Fraud and Economic Crime - This program is administered by the District Attorneys General of the State. Revenues are collected from individuals prosecuted for bad checks. These monies are used to increase resources available to prosecute bad check cases.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	<u>EDUCATION</u>	<u>HIGHWAY</u>	<u>WILDLIFE RESOURCES AGENCY</u>	<u>CRIMINAL INJURIES COMPENSATION</u>	<u>SOLID WASTE</u>	<u>JOB SKILLS</u>
CASH AND CASH EQUIVALENTS	\$ 10	\$ 239,827	\$ 34,302	\$ 82,553	\$ 11,301	\$ 36,260
INVESTMENTS						
RECEIVABLES (Note 2):						
TAXES	286,994	62,749	776	502	1,459	3,217
DUE FROM OTHER GOVERNMENTS	60,547	68,660	3,818			
OTHER	45	171	7		1	
DUE FROM OTHER FUNDS(Note 2)	6,496	8	1			64
INVENTORIES, at cost		6,468				
PREPAYMENTS						
TOTAL ASSETS	<u>\$ 354,092</u>	<u>\$ 377,883</u>	<u>\$ 38,904</u>	<u>\$ 83,055</u>	<u>\$ 12,761</u>	<u>\$ 39,541</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
ACCOUNTS PAYABLE AND ACCRUALS	\$ 84,593	\$ 53,793	\$ 2,964	\$ 4,341	\$ 1,705	\$ 4,852
DUE TO OTHER FUNDS(Note 2)	244,537	1,138	187		6	2
DEFERRED REVENUE	1,929	8,050				
DEPOSITS PAYABLE		1,389				
TOTAL LIABILITIES	<u>331,059</u>	<u>64,370</u>	<u>3,151</u>	<u>4,341</u>	<u>1,711</u>	<u>4,854</u>
FUND BALANCES(Note 2):						
RESERVED FOR:						
RELATED ASSETS		6,468	856	2,118	284	847
ENCUMBRANCES AND CONTRACTS	1,077	175,461	3,003			
CONTINUING APPROPRIATIONS	21,465					
SPECIFIC PURPOSES:						
STATE HIGHWAYS		63,425				
BRIDGE REPLACEMENT		21,387				
RURAL PUBLIC TRANSPORTATION		35,257				
WILDLIFE RESOURCES			31,894			
CRIMINAL INJURIES				76,596		
SOLID WASTE					10,766	
JOB SKILLS						33,840
ENHANCED 911 SERVICE						
PARK ACQUISITION						
OTHER SPECIFIC PURPOSES	491	11,412				
UNRESERVED:						
DESIGNATED FOR HIGHWAY CONSTRUCTION		103				
TOTAL FUND BALANCES	<u>23,033</u>	<u>313,513</u>	<u>35,753</u>	<u>78,714</u>	<u>11,050</u>	<u>34,687</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 354,092</u>	<u>\$ 377,883</u>	<u>\$ 38,904</u>	<u>\$ 83,055</u>	<u>\$ 12,761</u>	<u>\$ 39,541</u>

ENVIRONMENTAL PROTECTION	HAZARDOUS WASTE	PARKS ACQUISITION	SUPREME COURT BOARDS	UNDERGROUND STORAGE TANKS	ENHANCED EMERGENCY 911 SERVICE	OTHER	TOTALS	
							JUNE 30, 2001	JUNE 30, 2000
\$ 9,358	\$ 10,160	\$ 20,852	\$ 1,232 1,423	\$ 8,527	\$ 21,696	\$ 36,171	\$ 512,249 1,423	\$ 503,468 1,251
		722		1,386		384	358,189	362,527
	396			108		151	133,680	122,024
	140		20	1	189	38	612	646
							6,569	654
							6,468	6,265
			20				20	17
<u>\$ 9,358</u>	<u>\$ 10,696</u>	<u>\$ 21,574</u>	<u>\$ 2,695</u>	<u>\$ 10,022</u>	<u>\$ 21,885</u>	<u>\$ 36,744</u>	<u>\$ 1,019,210</u>	<u>\$ 996,852</u>
\$ 13	\$ 1,673 17	\$ 579	\$ 86	\$ 8,478 22	\$ 6 2	\$ 996 40	\$ 164,079 245,951	\$ 165,213 247,509
	1,186		37	588			11,790	9,855
						1	1,390	1,328
<u>13</u>	<u>2,876</u>	<u>579</u>	<u>123</u>	<u>9,088</u>	<u>8</u>	<u>1,037</u>	<u>423,210</u>	<u>423,905</u>
174	277	557	20	367	359 5	618 67	12,945 179,613 21,465	6,282 237,347 14,518
							63,425	26,744
							21,387	15,249
							35,257	28,158
							31,894	34,225
							76,596	74,484
							10,766	9,349
							33,840	29,226
					21,513		21,513	8,223
		20,438					20,438	20,002
9,171	7,543		2,552	567		35,022	66,758	69,082
							103	58
<u>9,345</u>	<u>7,820</u>	<u>20,995</u>	<u>2,572</u>	<u>934</u>	<u>21,877</u>	<u>35,707</u>	<u>596,000</u>	<u>572,947</u>
<u>\$ 9,358</u>	<u>\$ 10,696</u>	<u>\$ 21,574</u>	<u>\$ 2,695</u>	<u>\$ 10,022</u>	<u>\$ 21,885</u>	<u>\$ 36,744</u>	<u>\$ 1,019,210</u>	<u>\$ 996,852</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	EDUCATION	HIGHWAY	WILDLIFE RESOURCES AGENCY	CRIMINAL INJURIES COMPENSATION	SOLID WASTE	JOB SKILLS
REVENUES:						
TAXES	\$ 3,213,250	\$ 893,268	\$ 653	\$ 5,189	\$ 5,596	\$ 18,804
LICENSES, FINES, FEES, AND PERMITS	1,700	10,755	36,426	2,574	4,804	
INTEREST ON INVESTMENTS		27	1,976	4,712	619	1,819
FEDERAL	498,929	504,281	15,155	1,529	11	
DEPARTMENTAL SERVICES	17,589	27,281	5,727		385	
OTHER	4,392	5,298				
TOTAL REVENUES	<u>3,735,860</u>	<u>1,440,910</u>	<u>59,937</u>	<u>14,004</u>	<u>11,415</u>	<u>20,623</u>
EXPENDITURES:						
GENERAL GOVERNMENT				9,774		
EDUCATION	3,059,538					
LAW, JUSTICE AND PUBLIC SAFETY						
RECREATION AND RESOURCES						
DEVELOPMENT			61,592		9,714	15,162
REGULATION OF BUSINESS AND						
PROFESSIONS						
TRANSPORTATION		1,269,773				
STATE SHARED TAXES PAID TO						
LOCAL GOVERNMENTS		274,839				
TOTAL EXPENDITURES	<u>3,059,538</u>	<u>1,544,612</u>	<u>61,592</u>	<u>9,774</u>	<u>9,714</u>	<u>15,162</u>
EXCESS OF REVENUES OVER						
(UNDER) EXPENDITURES	<u>676,322</u>	<u>(103,702)</u>	<u>(1,655)</u>	<u>4,230</u>	<u>1,701</u>	<u>5,461</u>
OTHER FINANCING SOURCES(USES):						
OPERATING TRANSFERS FROM:						
GENERAL FUND	373,430	45	1,485			
DEBT SERVICE FUND		87,700				
OPERATING TRANSFERS TO:						
GENERAL FUND		(1,074)				
NONEXPENDABLE TRUST	(252)					
COMPONENT UNITS	<u>(1,042,679)</u>					
TOTAL OTHER FINANCING						
SOURCES(USES)	<u>(669,501)</u>	<u>86,671</u>	<u>1,485</u>			
EXCESS OF REVENUES AND						
OTHER SOURCES OVER(UNDER)						
EXPENDITURES AND OTHER USES	6,821	(17,031)	(170)	4,230	1,701	5,461
FUND BALANCES, JULY 1	16,227	330,544	36,187	74,484	9,349	29,226
EQUITY TRANSFERS:						
(TO) INTERNAL SERVICE FUND	<u>(15)</u>		<u>(264)</u>			
FUND BALANCES, JUNE 30	<u>\$ 23,033</u>	<u>\$ 313,513</u>	<u>\$ 35,753</u>	<u>\$ 78,714</u>	<u>\$ 11,050</u>	<u>\$ 34,687</u>

ENVIRONMENTAL PROTECTION	HAZARDOUS WASTE	PARKS ACQUISITION	SUPREME COURT BOARDS	UNDERGROUND STORAGE TANKS	ENHANCED EMERGENCY 911 SERVICE	OTHER	TOTALS FOR THE YEAR ENDED	
							JUNE 30, 2001	JUNE 30, 2000
\$ 24,456		\$ 6,628		\$ 17,174		\$ 4,502	\$ 4,165,064	\$ 4,100,165
557	\$ 588	1,180	\$ 1,964	2,306	\$ 21,400	14,531	120,916	107,996
	1,129	18	166	783	785	1,427	14,639	11,790
	4,075			1,400		370	1,022,822	996,264
				310		221	55,588	37,972
			50				9,740	7,252
25,013	5,792	7,826	2,180	21,973	22,185	21,051	5,388,769	5,261,439
						6,514	16,288	12,033
			2,015			2,104	3,059,538	2,947,577
							4,119	5,881
24,671	6,426	6,833		21,039		6,526	151,963	132,681
					8,531	80	8,611	3,707
							1,269,773	1,271,170
							274,839	272,184
24,671	6,426	6,833	2,015	21,039	8,531	15,224	4,785,131	4,645,233
342	(634)	993	165	934	13,654	5,827	603,638	616,206
	1,039						375,999	304,063
							87,700	83,800
							(1,074)	(1,033)
							(252)	(252)
							(1,042,679)	(981,826)
	1,039						(580,306)	(595,248)
342	405	993	165	934	13,654	5,827	23,332	20,958
9,003	7,415	20,002	2,407	-	8,223	29,880	572,947	552,255
							(279)	(266)
\$ 9,345	\$ 7,820	\$ 20,995	\$ 2,572	\$ 934	\$ 21,877	\$ 35,707	\$ 596,000	\$ 572,947

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	<u>DRIVER EDUCATION</u>	<u>ABANDONED LAND PROGRAM</u>	<u>AGRICULTURAL NON-POINT WATER POLLUTION</u>	<u>REGULATORY BOARDS</u>	<u>SALVAGE TITLE ENFORCEMENT</u>	<u>DAIRY PROMOTION BOARD</u>
CASH AND CASH EQUIVALENTS	\$ 1,527	\$ 809	\$ 2,444	\$ 3,290	\$ 479	\$ 113
RECEIVABLES:						
TAXES	42		332			
DUE FROM OTHER GOVERNMENTS					2	30
OTHER						
TOTAL ASSETS	<u>\$ 1,569</u>	<u>\$ 809</u>	<u>\$ 2,776</u>	<u>\$ 3,290</u>	<u>\$ 481</u>	<u>\$ 143</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
ACCOUNTS PAYABLE AND ACCRUALS	\$ 14		\$ 288	\$ 2	\$ 21	\$ 136
DUE TO OTHER FUNDS(Note 2)	1				3	
DEFERRED REVENUE						
DEPOSITS PAYABLE						
TOTAL LIABILITIES	<u>15</u>		<u>288</u>	<u>2</u>	<u>24</u>	<u>136</u>
FUND BALANCES(Note 2):						
RESERVED FOR:						
RELATED ASSETS			44	77		
ENCUMBRANCES AND CONTRACTS	64					
OTHER SPECIFIC PURPOSES	<u>1,490</u>	<u>\$ 809</u>	<u>2,444</u>	<u>3,211</u>	<u>457</u>	<u>7</u>
TOTAL FUND BALANCES	<u>1,554</u>	<u>809</u>	<u>2,488</u>	<u>3,288</u>	<u>457</u>	<u>7</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,569</u>	<u>\$ 809</u>	<u>\$ 2,776</u>	<u>\$ 3,290</u>	<u>\$ 481</u>	<u>\$ 143</u>

DRYCLEANER'S ENVIRONMENTAL RESPONSE	AGRICULTURAL REGULATORY FUND	TENNESSEE REGULATORY AUTHORITY	SMALL AND MINORITY TELECOM- MUNICATION	SEX OFFENDER TREATMENT PROGRAM	FRAUD AND ECONOMIC CRIME	TOTALS	
						JUNE 30, 2001	JUNE 30, 2000
\$ 6,041	\$ 3,966	\$ 4,108	\$ 11,098	\$ 199	\$ 2,097	\$ 36,171	\$ 30,699
				10		384	344
		151				151	129
		6				38	6
<u>\$ 6,041</u>	<u>\$ 3,966</u>	<u>\$ 4,265</u>	<u>\$ 11,098</u>	<u>\$ 209</u>	<u>\$ 2,097</u>	<u>\$ 36,744</u>	<u>\$ 31,178</u>
\$ 318	\$ 1	\$ 212		\$ 4		\$ 996	\$ 1,102
2		34				40	158
							37
		1				1	1
<u>320</u>	<u>1</u>	<u>247</u>		<u>4</u>		<u>1,037</u>	<u>1,298</u>
160	99		\$ 238			618	
3						67	4
<u>5,558</u>	<u>3,866</u>	<u>4,018</u>	<u>10,860</u>	<u>205</u>	<u>\$ 2,097</u>	<u>35,022</u>	<u>29,876</u>
<u>5,721</u>	<u>3,965</u>	<u>4,018</u>	<u>11,098</u>	<u>205</u>	<u>2,097</u>	<u>35,707</u>	<u>29,880</u>
<u>\$ 6,041</u>	<u>\$ 3,966</u>	<u>\$ 4,265</u>	<u>\$ 11,098</u>	<u>\$ 209</u>	<u>\$ 2,097</u>	<u>\$ 36,744</u>	<u>\$ 31,178</u>

STATE OF TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	<u>DRIVER EDUCATION</u>	<u>ABANDONED LAND PROGRAM</u>	<u>AGRICULTURAL NON-POINT WATER POLLUTION</u>	<u>REGULATORY BOARDS</u>	<u>SALVAGE TITLE ENFORCEMENT</u>	<u>DAIRY PROMOTION BOARD</u>
REVENUES:						
TAXES			\$ 3,039			\$ 1,373
LICENSES, FINES, FEES, AND PERMITS	\$ 520	\$ 24		\$ 181	\$ 518	
INTEREST ON INVESTMENTS		46	103	182		3
FEDERAL						
DEPARTMENTAL SERVICES		129		34	3	
TOTAL REVENUES	<u>520</u>	<u>199</u>	<u>3,142</u>	<u>397</u>	<u>521</u>	<u>1,376</u>
EXPENDITURES:						
GENERAL GOVERNMENT						
LAW, JUSTICE AND PUBLIC SAFETY	456				614	
RECREATION AND RESOURCES						
DEVELOPMENT		155	2,284			1,374
REGULATION OF BUSINESS AND						
PROFESSIONS				80		
TOTAL EXPENDITURES	<u>456</u>	<u>155</u>	<u>2,284</u>	<u>80</u>	<u>614</u>	<u>1,374</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	64	44	858	317	(93)	2
FUND BALANCES, JULY 1	1,490	765	1,630	2,971	550	5
FUND BALANCES, JUNE 30	<u>\$ 1,554</u>	<u>\$ 809</u>	<u>\$ 2,488</u>	<u>\$ 3,288</u>	<u>\$ 457</u>	<u>\$ 7</u>

DRYCLEANER'S ENVIRONMENTAL RESPONSE	AGRICULTURAL REGULATORY FUND	TENNESSEE REGULATORY AUTHORITY	SMALL AND MINORITY TELECOM- MUNICATION	SEX OFFENDER TREATMENT PROGRAM	FRAUD AND ECONOMIC CRIME	TOTALS FOR THE YEAR ENDED	
						JUNE 30, 2001	JUNE 30, 2000
\$ 1,265	\$ 1,961	\$ 6,962	\$ 1,974	\$ 90	\$ 1,126	\$ 4,502	\$ 4,538
342	222		529			14,531	16,105
		370				1,427	1,115
		8		12	34	370	285
1						221	39
1,608	2,183	7,340	2,503	102	1,160	21,051	22,082
		6,434	80			6,514	5,424
				69	965	2,104	4,037
856	1,857					6,526	6,371
						80	260
856	1,857	6,434	80	69	965	15,224	16,092
752	326	906	2,423	33	195	5,827	5,990
4,969	3,639	3,112	8,675	172	1,902	29,880	23,890
\$ 5,721	\$ 3,965	\$ 4,018	\$ 11,098	\$ 205	\$ 2,097	\$ 35,707	\$ 29,880

STATE OF TENNESSEE
COMPARATIVE BALANCE SHEETS
EDUCATION FUND
JUNE 30, 2001 AND 2000

(Expressed in Thousands)

<u>ASSETS</u>	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 10	\$ 10
RECEIVABLES:		
TAXES	286,994	296,008
DUE FROM OTHER GOVERNMENTS	60,547	51,793
OTHER	45	339
DUE FROM OTHER FUNDS (Note 2)	<u>6,496</u>	<u>645</u>
TOTAL ASSETS	<u>\$ 354,092</u>	<u>\$ 348,795</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 82,245	\$ 82,421
ACCRUED PAYROLL AND RELATED ACCRUALS	2,348	2,247
DUE TO OTHER FUNDS(Note 2)	244,537	246,132
DEFERRED REVENUE	<u>1,929</u>	<u>1,768</u>
TOTAL LIABILITIES	<u>331,059</u>	<u>332,568</u>
FUND BALANCE(Note 2):		
RESERVED FOR:		
ENCUMBRANCES AND CONTRACTS	1,077	1,308
CONTINUING APPROPRIATIONS	21,465	14,518
OTHER SPECIFIC PURPOSES	<u>491</u>	<u>401</u>
TOTAL FUND BALANCE	<u>23,033</u>	<u>16,227</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 354,092</u>	<u>\$ 348,795</u>

STATE OF TENNESSEE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
REVENUES:		
TAXES:		
SALES AND USE	\$ 3,114,062	\$ 3,053,174
MOTOR VEHICLE REGISTRATION	262	281
MIXED DRINK	16,700	15,654
TOBACCO	<u>82,226</u>	<u>81,980</u>
TOTAL TAXES	<u>3,213,250</u>	<u>3,151,089</u>
LICENSES, FINES, FEES, AND PERMITS	1,700	1,614
FEDERAL	498,929	465,157
DEPARTMENTAL SERVICES	17,589	11,574
OTHER	<u>4,392</u>	<u>3,085</u>
TOTAL REVENUES	<u>3,735,860</u>	<u>3,632,519</u>
EXPENDITURES:		
ADMINISTRATIVE	33,522	30,390
STATE GRANTS	2,463,109	2,402,723
FEDERAL PROGRAMS	492,666	448,118
VOCATIONAL EDUCATION	28,370	27,044
SPECIAL SCHOOLS	<u>41,871</u>	<u>39,302</u>
TOTAL EXPENDITURES	<u>3,059,538</u>	<u>2,947,577</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>676,322</u>	<u>684,942</u>
OTHER FINANCING SOURCES(USES):		
OPERATING TRANSFERS FROM GENERAL FUND	373,430	301,925
OPERATING TRANSFERS (TO) GENERAL FUND		(15)
NONEXPENDABLE TRUST	(252)	(252)
COMPONENT UNITS	<u>(1,042,679)</u>	<u>(981,826)</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>(669,501)</u>	<u>(680,168)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,821	4,774
FUND BALANCE, JULY 1	16,227	11,468
EQUITY TRANSFERS: TO INTERNAL SERVICE FUND	<u>(15)</u>	<u>(15)</u>
FUND BALANCE, JUNE 30	<u>\$ 23,033</u>	<u>\$ 16,227</u>

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT
EDUCATION FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
<u>EXPENDITURES BY OBJECT</u>		
PERSONAL SERVICES	\$ 34,196	\$ 31,753
EMPLOYEE BENEFITS	8,417	7,447
TRAVEL	1,859	1,876
PRINTING, DUPLICATING AND FILM PROCESSING	683	601
UTILITIES AND FUEL	1,253	1,064
COMMUNICATION AND SHIPPING COST	498	493
MAINTENANCE, REPAIRS AND SERVICES	644	783
PROFESSIONAL AND ADMINISTRATIVE SERVICES	47,833	46,914
SUPPLIES	4,398	3,786
RENTALS AND INSURANCE	1,922	1,554
MOTOR VEHICLE OPERATION	8	7
AWARDS AND INDEMNITIES	18	48
GRANTS AND SUBSIDIES	2,957,540	2,850,954
EQUIPMENT	221	297
BUILDINGS	<u>48</u>	<u></u>
TOTAL EXPENDITURES BY OBJECT	\$ <u><u>3,059,538</u></u>	\$ <u><u>2,947,577</u></u>

STATE OF TENNESSEE
COMPARATIVE BALANCE SHEETS
HIGHWAY FUND
JUNE 30, 2001 AND 2000

(Expressed in Thousands)

<u>ASSETS</u>	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 239,827	\$ 259,302
RECEIVABLES:		
TAXES	62,749	57,788
DUE FROM OTHER GOVERNMENTS	68,660	67,964
OTHER	171	130
DUE FROM OTHER FUNDS(Note 2)	8	8
INVENTORIES, at cost	<u>6,468</u>	<u>6,265</u>
 TOTAL ASSETS	 <u>\$ 377,883</u>	 <u>\$ 391,457</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	\$ 40,765	\$ 40,816
CONTRACT RETAINAGE	7,422	5,675
ACCRUED PAYROLL AND RELATED DEDUCTIONS	5,606	5,144
DUE TO OTHER FUNDS(Note 2)	1,138	1,006
DEFERRED REVENUE	8,050	6,945
DEPOSITS PAYABLE	<u>1,389</u>	<u>1,327</u>
 TOTAL LIABILITIES	 <u>64,370</u>	 <u>60,913</u>
FUND BALANCES(Note 2):		
RESERVED FOR:		
RELATED ASSETS	6,468	6,265
ENCUMBRANCES AND CONTRACTS	175,461	234,073
SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	149	3,466
STATE HIGHWAYS	63,425	26,744
BRIDGE REPLACEMENT	21,387	15,249
RURAL PUBLIC TRANSPORTATION	35,257	28,158
OTHER	11,263	16,531
UNRESERVED:		
DESIGNATED FOR HIGHWAY CONSTRUCTION	<u>103</u>	<u>58</u>
 TOTAL FUND BALANCE	 <u>313,513</u>	 <u>330,544</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 377,883</u>	 <u>\$ 391,457</u>

STATE OF TENNESSEE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
HIGHWAY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
REVENUES:		
TAXES	\$ 893,268	\$ 886,128
LICENSES AND PERMITS	10,755	10,539
INTEREST ON INVESTMENTS	27	39
FEDERAL	504,281	510,938
DEPARTMENTAL SERVICES	27,281	19,546
OTHER	<u>5,298</u>	<u>4,105</u>
TOTAL REVENUES	<u>1,440,910</u>	<u>1,431,295</u>
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	102,360	129,610
STATE SYSTEM CONSTRUCTION	656,459	661,777
OTHER CONSTRUCTION	92,019	91,204
MAINTENANCE AND MARKING	256,950	231,594
ADMINISTRATIVE AND OTHER	161,985	156,985
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	<u>274,839</u>	<u>272,184</u>
TOTAL EXPENDITURES	<u>1,544,612</u>	<u>1,543,354</u>
EXCESS OF EXPENDITURES (OVER) REVENUES	<u>(103,702)</u>	<u>(112,059)</u>
OTHER FINANCING SOURCES(USES):		
OPERATING TRANSFERS FROM GENERAL FUND	45	
OPERATING TRANSFERS (TO) GENERAL FUND	(1,074)	(1,018)
OPERATING TRANSFERS FROM DEBT SERVICE FUND	<u>87,700</u>	<u>83,800</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>86,671</u>	<u>82,782</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(17,031)	(29,277)
FUND BALANCE, JULY 1	<u>330,544</u>	<u>359,821</u>
FUND BALANCE, JUNE 30 (Note 2)	<u>\$ 313,513</u>	<u>\$ 330,544</u>

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

<u>REVENUES BY SOURCE</u>	<u>FOR THE YEAR ENDED</u>	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
TAXES:		
SALES	\$ 26,785	\$ 20,721
GASOLINE	471,314	539,994
MOTOR FUEL	170,227	110,741
PETROLEUM PRODUCTS	43,667	30,952
MOTOR VEHICLE REGISTRATION	176,896	179,277
GROSS RECEIPTS TAX	2,432	2,438
BEER TAX	1,947	2,005
TOTAL TAXES	<u>893,268</u>	<u>886,128</u>
LICENSES AND PERMITS	<u>10,755</u>	<u>10,539</u>
INTEREST ON INVESTMENTS	<u>27</u>	<u>39</u>
FEDERAL	<u>504,281</u>	<u>510,938</u>
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	22,069	15,251
STATE AGENCIES	<u>5,212</u>	<u>4,295</u>
TOTAL DEPARTMENTAL SERVICES	<u>27,281</u>	<u>19,546</u>
OTHER	<u>5,298</u>	<u>4,105</u>
TOTAL REVENUES BY SOURCE	<u>\$ 1,440,910</u>	<u>\$ 1,431,295</u>

STATE OF TENNESSEE
COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
<u>EXPENDITURES BY OBJECT</u>		
PERSONAL SERVICES	\$ 129,476	\$ 123,164
EMPLOYEE BENEFITS	38,611	34,659
TRAVEL	1,310	1,442
PRINTING, DUPLICATING AND FILM PROCESSING	765	789
UTILITIES AND FUEL	3,364	2,910
COMMUNICATION AND SHIPPING COST	647	557
MAINTENANCE, REPAIRS AND SERVICES	6,632	5,728
PROFESSIONAL AND ADMINISTRATIVE SERVICES	77,110	63,159
SUPPLIES	27,142	27,065
RENTALS AND INSURANCE	12,440	10,476
MOTOR VEHICLE OPERATION	10,006	9,044
AWARDS AND INDEMNITIES	485	544
GRANTS AND SUBSIDIES	88,009	73,770
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	5,777	6,246
EQUIPMENT	15,143	17,958
LAND	76,457	76,847
BUILDINGS	225	73
HIGHWAY CONSTRUCTION	776,174	816,739
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	<u>274,839</u>	<u>272,184</u>
TOTAL EXPENDITURES BY OBJECT	\$ <u><u>1,544,612</u></u>	\$ <u><u>1,543,354</u></u>

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 ALL BUDGETED SPECIAL REVENUE FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

		EDUCATION	
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 14,919	\$ 14,919	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED	117	117	
CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	15,036	15,036	
REVENUES:			
TAXES	3,373,100	3,213,250	\$ (159,850)
LICENSES, FINES, FEES, AND PERMITS	1,700	1,700	
INTEREST ON INVESTMENTS			
FEDERAL	504,934	498,929	(6,005)
DEPARTMENTAL SERVICES	17,651	17,589	(62)
OTHER		4,392	4,392
OTHER FINANCING SOURCES-TRANSFERS IN	373,430	373,430	
TOTAL SOURCES OF FINANCIAL RESOURCES	4,285,851	4,124,326	(161,525)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
COMMISSIONS			
EDUCATION	3,108,024	3,059,424	48,600
CORRECTION			
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION			
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TRANSPORTATION			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS			
OTHER FINANCING USES-TRANSFERS OUT	1,042,946	1,042,946	
TOTAL USES OF FINANCIAL RESOURCES	4,150,970	4,102,370	48,600
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 134,881	\$ 21,956	\$ (112,925)

HIGHWAY FUND			WILDLIFE RESOURCES AGENCY		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 6,323	\$ 6,323		\$ 34,225	\$ 34,225	
23	23		220	220	
321,945	321,945				
328,291	328,291		34,445	34,445	
910,600	893,268	\$ (17,332)	500	653	\$ 153
	10,755	10,755	38,900	36,426	(2,474)
	27	27		1,976	1,976
2,206,728	504,281	(1,702,447)	15,260	15,155	(105)
45,994	27,281	(18,713)	9,378	5,727	(3,651)
	5,298	5,298			
87,745	87,745		1,485	1,485	
3,579,358	1,856,946	(1,722,412)	99,968	95,867	(4,101)
			73,707	62,853	10,854
3,322,942	1,574,462	1,748,480			
274,839	274,839				
1,074	1,074		264	264	
3,598,855	1,850,375	1,748,480	73,971	63,117	10,854
\$ (19,497)	\$ 6,571	\$ 26,068	\$ 25,997	\$ 32,750	\$ 6,753

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 ALL BUDGETED SPECIAL REVENUE FUND TYPES (continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 74,484	\$ 74,484	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	74,484	74,484	
REVENUES:			
TAXES		5,189	\$ 5,189
LICENSES, FINES, FEES, AND PERMITS		2,574	2,574
INTEREST ON INVESTMENTS		4,712	4,712
FEDERAL	1,614	1,529	(85)
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES-TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	76,098	88,488	12,390
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	10,233	9,774	459
COMMISSIONS			
EDUCATION			
CORRECTION			
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION			
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TRANSPORTATION			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS			
OTHER FINANCING USES-TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	10,233	9,774	459
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 65,865	\$ 78,714	\$ 12,849

SOLID WASTE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 9,349	\$ 9,349	
9,349	9,349	
5,457	5,596	\$ 139
4,798	4,804	6
	619	619
	11	11
234	385	151
19,838	20,764	926
10,596	9,714	882
10,596	9,714	882
\$ 9,242	\$ 11,050	\$ 1,808

JOB SKILLS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 29,226	\$ 29,226	
29,226	29,226	
	18,804	\$ 18,804
	1,819	1,819
29,226	49,849	20,623
18,212	15,162	3,050
18,212	15,162	3,050
\$ 11,014	\$ 34,687	\$ 23,673

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
ALL BUDGETED SPECIAL REVENUE FUND TYPES (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	ENVIRONMENTAL PROTECTION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 9,003	\$ 9,003	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	9,003	9,003	
REVENUES:			
TAXES			
LICENSES, FINES, FEES, AND PERMITS	27,732	24,456	\$ (3,276)
INTEREST ON INVESTMENTS		557	557
FEDERAL			
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES-TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	36,735	34,016	(2,719)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
COMMISSIONS			
EDUCATION			
CORRECTION			
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION	30,207	24,671	5,536
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TRANSPORTATION			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS			
OTHER FINANCING USES-TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	30,207	24,671	5,536
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 6,528	\$ 9,345	\$ 2,817

HAZARDOUS WASTE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 7,415	\$ 7,415	
7,415	7,415	
	588	\$ 588
2,564	1,129	(1,435)
3,606	4,075	469
1,039	1,039	
14,624	14,246	(378)
10,700	6,426	4,274
10,700	6,426	4,274
\$ 3,924	\$ 7,820	\$ 3,896

PARKS ACQUISITION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 20,002	\$ 20,002	
20,002	20,002	
7,000	6,628	\$ (372)
	1,180	1,180
	18	18
27,002	27,828	826
8,396	6,833	1,563
8,396	6,833	1,563
\$ 18,606	\$ 20,995	\$ 2,389

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 ALL BUDGETED SPECIAL REVENUE FUND TYPES (continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	UNDERGROUND STORAGE TANKS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1			
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
CONTRACT RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1			
REVENUES:			
TAXES	\$ 16,000	\$ 17,174	\$ 1,174
LICENSES, FINES, FEES, AND PERMITS	753	2,306	1,553
INTEREST ON INVESTMENTS		783	783
FEDERAL	2,301	1,400	(901)
DEPARTMENTAL SERVICES		310	310
OTHER			
OTHER FINANCING SOURCES-TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	19,054	21,973	2,919
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
COMMISSIONS			
EDUCATION			
CORRECTION			
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION	30,345	21,039	9,306
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TRANSPORTATION			
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS			
OTHER FINANCING USES-TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	30,345	21,039	9,306
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ (11,291)	\$ 934	\$ 12,225

ENHANCED EMERGENCY 911 SERVICE			OTHER SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 8,223	\$ 8,223		\$ 27,969	\$ 27,969	
			4	4	
8,223	8,223		27,973	27,973	
	21,400	\$ 21,400	2,905	3,129	\$ 224
	785	785	12,615	13,405	790
			220	1,424	1,204
			264	370	106
			15	187	172
8,223	30,408	22,185	43,992	46,488	2,496
			7,357	6,434	923
			74	69	5
			1,486	1,134	352
			4,987	4,141	846
			2,870	1,014	1,856
12,775	8,536	4,239	80	80	
			363	80	283
12,775	8,536	4,239	17,217	12,952	4,265
\$ (4,552)	\$ 21,872	\$ 26,424	\$ 26,775	\$ 33,536	\$ 6,761

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
ALL BUDGETED SPECIAL REVENUE FUND TYPES (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	TOTAL SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 241,138	\$ 241,138	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED	364	364	
CONTRACT RESERVES REAPPROPRIATED	321,945	321,945	
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	563,447	563,447	
REVENUES:			
TAXES	4,315,562	4,163,691	\$ (151,871)
LICENSES, FINES, FEES, AND PERMITS	86,498	117,826	31,328
INTEREST ON INVESTMENTS	220	14,470	14,250
FEDERAL	2,733,665	1,022,822	(1,710,843)
DEPARTMENTAL SERVICES	76,878	55,554	(21,324)
OTHER		9,690	9,690
OTHER FINANCING SOURCES-TRANSFERS IN	463,699	463,699	
TOTAL SOURCES OF FINANCIAL RESOURCES	8,239,969	6,411,199	(1,828,770)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	10,233	9,774	459
COMMISSIONS	7,357	6,434	923
EDUCATION	3,108,024	3,059,424	48,600
CORRECTION	74	69	5
SAFETY	1,486	1,134	352
AGRICULTURE	4,987	4,141	846
ENVIRONMENT AND CONSERVATION	93,114	69,697	23,417
WILDLIFE RESOURCES	73,707	62,853	10,854
ECONOMIC AND COMMUNITY DEVELOPMENT	18,292	15,242	3,050
COMMERCE AND INSURANCE	13,138	8,616	4,522
TRANSPORTATION	3,322,942	1,574,462	1,748,480
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	274,839	274,839	
OTHER FINANCING USES-TRANSFERS OUT	1,044,284	1,044,284	
TOTAL USES OF FINANCIAL RESOURCES	7,972,477	6,130,969	1,841,508
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 267,492	\$ 280,230	\$ 12,738

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 OTHER BUDGETED SPECIAL REVENUE FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	DRIVER EDUCATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 1,490	\$ 1,490	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,490	1,490	
REVENUES:			
TAXES			
LICENSES, FINES, FEES, AND PERMITS	730	520	\$ (210)
INTEREST ON INVESTMENTS			
FEDERAL			
DEPARTMENTAL SERVICES			
TOTAL SOURCES OF FINANCIAL RESOURCES	2,220	2,010	(210)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
COMMISSIONS			
CORRECTION			
SAFETY	814	520	294
AGRICULTURE			
ENVIRONMENT AND CONSERVATION			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TOTAL USES OF FINANCIAL RESOURCES	814	520	294
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 1,406	\$ 1,490	\$ 84

ABANDONED LAND PROGRAM		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 765	\$ 765	
765	765	
500	24 46	\$ (476) 46
	129	129
1,265	964	(301)
500	155	345
500	155	345
\$ 765	\$ 809	\$ 44

AGRICULTURAL NON-POINT WATER POLLUTION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 1,630	\$ 1,630	
1,630	1,630	
2,905	3,039	\$ 134
100	103	3
4,635	4,772	137
3,005	2,284	721
3,005	2,284	721
\$ 1,630	\$ 2,488	\$ 858

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 OTHER BUDGETED SPECIAL REVENUE FUND TYPES (continued)
 FOR FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	REGULATORY BOARDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 2,971	\$ 2,971	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	2,971	2,971	
REVENUES:			
TAXES			
LICENSES, FINES, FEES, AND PERMITS		181	\$ 181
INTEREST ON INVESTMENTS		182	182
FEDERAL			
DEPARTMENTAL SERVICES		34	34
TOTAL SOURCES OF FINANCIAL RESOURCES	2,971	3,368	397
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
COMMISSIONS			
CORRECTION			
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE	363	80	283
TOTAL USES OF FINANCIAL RESOURCES	363	80	283
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 2,608	\$ 3,288	\$ 680

SALVAGE TITLE ENFORCEMENT		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 550	\$ 550	
550	550	
611	518	\$ (93)
3	3	3
1,161	1,071	(90)
672	614	58
672	614	58
\$ 489	\$ 457	\$ (32)

DRYCLEANER'S ENVIRONMENTAL RESPONSE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 4,969	\$ 4,969	
4,969	4,969	
2,335	1,265 342	\$ (1,070) 342
1	1	1
7,304	6,577	(727)
2,370	859	1,511
2,370	859	1,511
\$ 4,934	\$ 5,718	\$ 784

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 OTHER BUDGETED SPECIAL REVENUE FUND TYPES (continued)
 FOR FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	AGRICULTURAL REGULATORY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 3,639	\$ 3,639	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	3,639	3,639	
REVENUES:			
TAXES			
LICENSES, FINES, FEES, AND PERMITS	1,739	1,961	\$ 222
INTEREST ON INVESTMENTS	120	222	102
FEDERAL			
DEPARTMENTAL SERVICES			
TOTAL SOURCES OF FINANCIAL RESOURCES	5,498	5,822	324
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
COMMISSIONS			
CORRECTION			
SAFETY			
AGRICULTURE	1,982	1,857	125
ENVIRONMENT AND CONSERVATION			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TOTAL USES OF FINANCIAL RESOURCES	1,982	1,857	125
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 3,516	\$ 3,965	\$ 449

TENNESSEE REGULATORY AUTHORITY		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 3,108	\$ 3,108	
<u>4</u>	<u>4</u>	
3,112	3,112	
6,700	6,962	\$ 262
264	370	106
<u>15</u>	<u>8</u>	<u>(7)</u>
10,091	10,452	361
7,357	6,434	923
<u>7,357</u>	<u>6,434</u>	<u>923</u>
\$ <u><u>2,734</u></u>	\$ <u><u>4,018</u></u>	\$ <u><u>1,284</u></u>

SMALL AND MINORITY TELECOMMUNICATIONS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 8,675	\$ 8,675	
<u>8,675</u>	<u>8,675</u>	
	1,974	\$ 1,974
	529	529
<u>8,675</u>	<u>11,178</u>	<u>2,503</u>
80	80	
<u>80</u>	<u>80</u>	
\$ <u><u>8,595</u></u>	\$ <u><u>11,098</u></u>	\$ <u><u>2,503</u></u>

STATE OF TENNESSEE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL(BUDGETARY BASIS)
 OTHER BUDGETED SPECIAL REVENUE FUND TYPES (continued)
 FOR FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	SEX OFFENDER TREATMENT PROGRAM		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	\$ 172	\$ 172	
ADD:			
PRIOR YEAR ENCUMBRANCES LIQUIDATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	172	172	
REVENUES:			
TAXES		90	\$ 90
LICENSES, FINES, FEES, AND PERMITS			
INTEREST ON INVESTMENTS			
FEDERAL			
DEPARTMENTAL SERVICES		12	12
TOTAL SOURCES OF FINANCIAL RESOURCES	172	274	102
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
COMMISSIONS			
CORRECTION	74	69	5
SAFETY			
AGRICULTURE			
ENVIRONMENT AND CONSERVATION			
ECONOMIC AND COMMUNITY DEVELOPMENT			
COMMERCE AND INSURANCE			
TOTAL USES OF FINANCIAL RESOURCES	74	69	5
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	\$ 98	\$ 205	\$ 107

TOTAL OTHER BUDGETED SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 27,969	\$ 27,969	
<u>4</u>	<u>4</u>	
27,973	27,973	
2,905	3,129	\$ 224
12,615	13,405	790
220	1,424	1,204
264	370	106
<u>15</u>	<u>187</u>	<u>172</u>
43,992	46,488	2,496
7,357	6,434	923
74	69	5
1,486	1,134	352
4,987	4,141	846
2,870	1,014	1,856
80	80	
<u>363</u>	<u>80</u>	<u>283</u>
17,217	12,952	4,265
<u>\$ 26,775</u>	<u>\$ 33,536</u>	<u>\$ 6,761</u>

DEBT SERVICE FUND

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
JUNE 30, 2001 AND 2000

(Expressed in Thousands)

<u>ASSETS</u>	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 1,217	\$ 814
RECEIVABLES (Note 2):		
TAXES	3,429	3,559
ADVANCES TO COMPONENT UNITS (Note 2)	<u>13,800</u>	<u>14,800</u>
TOTAL ASSETS	<u>\$ 18,446</u>	<u>\$ 19,173</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUALS	\$ 1,228	\$ 1,623
DUE TO OTHER FUNDS (Note 2)	11	
DEFERRED REVENUE	<u>13,800</u>	<u>14,800</u>
TOTAL LIABILITIES	<u>15,039</u>	<u>16,423</u>
FUND BALANCES(Note 2):		
UNRESERVED:		
DESIGNATED FOR DEBT SERVICE	<u>3,407</u>	<u>2,750</u>
TOTAL FUND BALANCE	<u>3,407</u>	<u>2,750</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,446</u>	<u>\$ 19,173</u>

STATE OF TENNESSEE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
REVENUES:		
TAXES:		
SALES AND USE	\$ 38,480	\$ 37,787
GASOLINE	87,700	83,800
FRANCHISE	18,000	18,000
EXCISE	<u>99,120</u>	<u>100,300</u>
TOTAL TAXES	243,300	239,887
MOTOR VEHICLE TITLE REGISTRATION FEES	2,527	2,395
INTEREST ON INVESTMENTS		515
CHARGES FOR SERVICES	<u>1,955</u>	<u>2,087</u>
TOTAL REVENUES	<u>247,782</u>	<u>244,884</u>
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	72,044	69,296
COMMERCIAL PAPER RETIREMENT	1,000	1,200
BOND INTEREST	41,433	46,282
NOTE AND COMMERCIAL PAPER INTEREST	6,771	6,368
OTHER	<u>973</u>	<u>637</u>
TOTAL EXPENDITURES	<u>122,221</u>	<u>123,783</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>125,561</u>	<u>121,101</u>
OTHER FINANCING SOURCES (USES):		
PREMIUM ON BOND SALES	586	
OPERATING TRANSFER FROM GENERAL FUND	3,997	3,501
OPERATING TRANSFER FROM CAPITAL PROJECTS FUND	1,613	
OPERATING TRANSFER (TO) GENERAL FUND	(39,200)	(35,687)
OPERATING TRANSFER (TO) SPECIAL REVENUE FUNDS	(87,700)	(83,800)
OPERATING TRANSFER (TO) CAPITAL PROJECTS FUND	<u>(4,200)</u>	<u>(3,700)</u>
TOTAL OTHER FINANCING (USES)	<u>(124,904)</u>	<u>(119,686)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	657	1,415
FUND BALANCE, JULY 1	<u>2,750</u>	<u>1,335</u>
FUND BALANCE, JUNE 30	\$ <u><u>3,407</u></u>	\$ <u><u>2,750</u></u>

CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
JUNE 30, 2001 AND 2000

(Expressed in Thousands)

<u>ASSETS</u>	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 214,502	\$ 126,714
RECEIVABLES:		
ACCOUNTS	57	
DUE FROM OTHER GOVERNMENTS	665	449
DUE FROM COMPONENT UNITS (Note 2)	<u>566</u>	<u>479</u>
TOTAL ASSETS	<u>\$ 215,790</u>	<u>\$ 127,642</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 13,850	\$ 9,943
DUE TO COMPONENT UNITS(Note 2)	<u>6,909</u>	<u>11,154</u>
TOTAL LIABILITIES	<u>20,759</u>	<u>21,097</u>
FUND BALANCES(Note 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	63,198	44,302
UNRESERVED	<u>131,833</u>	<u>62,243</u>
TOTAL FUND BALANCE	<u>195,031</u>	<u>106,545</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 215,790</u>	<u>\$ 127,642</u>

STATE OF TENNESSEE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
FOR FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
REVENUES:		
FEDERAL	\$ 1,926	\$ 2,810
DEPARTMENTAL SERVICES	<u>7,959</u>	<u>15,692</u>
TOTAL REVENUES	<u>9,885</u>	<u>18,502</u>
EXPENDITURES:		
GENERAL GOVERNMENT	24,279	26,790
EDUCATION	1,072	830
HEALTH AND SOCIAL SERVICES	4,759	3,362
LAW, JUSTICE AND PUBLIC SAFETY	11,750	19,434
RECREATION AND RESOURCES DEVELOPMENT	<u>13,819</u>	<u>20,450</u>
TOTAL EXPENDITURES	<u>55,679</u>	<u>70,866</u>
EXCESS OF EXPENDITURES (OVER) REVENUES	<u>(45,794)</u>	<u>(52,364)</u>
OTHER FINANCING SOURCES (USES):		
BOND, NOTE AND COMMERCIAL PAPER PROCEEDS	223,408	263,146
COMMERCIAL PAPER AND BOND ANTICIPATION NOTES REDEEMED	(79,160)	(197,728)
OPERATING TRANSFER FROM GENERAL FUND	53,889	38,993
OPERATING TRANSFER FROM DEBT SERVICE FUND	4,200	3,700
OPERATING TRANSFER (TO) GENERAL FUND	(25)	(1,318)
OPERATING TRANSFER (TO) DEBT SERVICE FUND	(1,613)	
OPERATING TRANSFER (TO) COMPONENT UNITS	<u>(66,419)</u>	<u>(91,399)</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>134,280</u>	<u>15,394</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>88,486</u>	<u>(36,970)</u>
FUND BALANCE, JULY 1	<u>106,545</u>	<u>143,515</u>
FUND BALANCE, JUNE 30	<u>\$ 195,031</u>	<u>\$ 106,545</u>

ENTERPRISE FUNDS

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

State Loan Program - Operated since the early 1970's through the Department of Environment and Conservation, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Sewer Treatment Loan - Created in 1987, this fund provides loans to local governments and utility districts for the construction of sewage treatment facilities. The initial sources of the monies are federal grants and state appropriations.

Energy Loan Program - Created in 1988, this program makes loans to small businesses and local governments to improve energy efficiency.

Teacher Group Insurance - Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Local Government Group Insurance - Established in July 1991, this fund is used to account for revenues received and claims paid on behalf of employees of local governments and quasi-governmental organizations established for the primary purpose of providing services for or on the behalf of state and local governments. This plan is similar to the plan offered to state employees.

Drinking Water Loan - Created in 1998, this fund provides loans to local governments and utility districts for the improvement of drinking water systems. The initial sources of the monies are federal grants and state appropriations.

Grain Indemnity - This program is administered by the Department of Agriculture. Revenues are collected from fees on grain sold by producers. These revenues are to be used to protect commodity producers in the event of the financial failure of a commodity dealer or warehouseman.

Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs. In addition, this agency handles property surplus by the various state agencies.

Medicare Supplement Insurance - Established in January 2001, this fund is used to account for revenues received and claims paid on behalf of retirees who are eligible for medicare coverage and elect coverage under the Medicare Supplement Insurance Plan.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	STATE LOAN PROGRAM	SEWER TREATMENT LOAN	ENERGY LOAN PROGRAM	TEACHER GROUP INSURANCE
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 3,739	\$ 72,957	\$ 16,879	\$ 14,789
RECEIVABLES:				
ACCOUNTS RECEIVABLE				99
INTEREST	20	10		
LOANS RECEIVABLE-CURRENT PORTION			1,678	
DUE FROM OTHER GOVERNMENTS-CURRENT PORTION	3,280	16,090		
DUE FROM COMPONENT UNITS(Note 2)				
INVENTORY				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	7,039	89,057	18,557	14,888
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER ASSETS:				
DEFERRED CHARGE	91			
LOANS RECEIVABLE			5,092	
DUE FROM OTHER GOVERNMENTS	14,428	324,011		
	<hr/>	<hr/>	<hr/>	
TOTAL OTHER ASSETS	14,519	324,011	5,092	
	<hr/>	<hr/>	<hr/>	
TOTAL ASSETS	\$ 21,558	\$ 413,068	\$ 23,649	\$ 14,888
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUALS	\$ 746	\$ 3		\$ 24,434
DUE TO OTHER FUNDS(Note 2)				
DUE TO COMPONENT UNITS(Note 2)				
CURRENT PORTION OF LONG-TERM DEBT(Note 3)	3,280			
DEFERRED REVENUE				481
	<hr/>	<hr/>		<hr/>
TOTAL CURRENT LIABILITIES	4,026	3		24,915
	<hr/>	<hr/>		<hr/>
LONG-TERM DEBT:				
BONDS PAYABLE,NET(Note 3)	13,933			
	<hr/>			
TOTAL LIABILITIES	17,959	3		24,915
	<hr/>	<hr/>		<hr/>
FUND EQUITY(Note 2):				
CONTRIBUTED CAPITAL		310,887		12,600
RETAINED EARNINGS (DEFICIT)	3,599	102,178	\$ 23,649	(22,627)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	3,599	413,065	23,649	(10,027)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,558	\$ 413,068	\$ 23,649	\$ 14,888
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LOCAL GOVERNMENT GROUP INSURANCE	DRINKING WATER	GRAIN INDEMNITY	PROPERTY UTILIZATION	MEDICARE SUPPLEMENT INSURANCE	TOTALS	
					JUNE 30, 2001	JUNE 30, 2000
\$ 11,665	\$ 10,576	\$ 3,681		\$ 11,353	\$ 145,639	\$ 149,674
81			\$ 174		354	300
	1				31	24
	33				1,678	1,685
			5		19,403	15,646
			16		5	27
					16	
11,746	10,610	3,681	195	11,353	167,126	167,356
					91	101
	6,183				11,275	5,621
					338,439	307,965
	6,183				349,805	313,687
\$ 11,746	\$ 16,793	\$ 3,681	\$ 195	\$ 11,353	\$ 516,931	\$ 481,043
\$ 9,258	\$ 5		\$ 115	\$ 1,027	\$ 35,588	\$ 22,368
			76		76	5
					3,280	1
69				237	787	3,125
9,327	5		191	1,264	39,731	446
					13,933	17,222
9,327	5		191	1,264	53,664	43,167
	12,737		1,610		337,834	332,159
2,419	4,051	\$ 3,681	(1,606)	10,089	125,433	105,717
2,419	16,788	3,681	4	10,089	463,267	437,876
\$ 11,746	\$ 16,793	\$ 3,681	\$ 195	\$ 11,353	\$ 516,931	\$ 481,043

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	STATE LOAN PROGRAM	SEWER TREATMENT LOAN	ENERGY LOAN PROGRAM	TEACHER GROUP INSURANCE
OPERATING REVENUES:				
CHARGES FOR SERVICES	\$ 790	\$ 12,000	\$ 188	
INVESTMENT INCOME	255	4,439	883	
PREMIUMS				\$ 165,466
OTHER				
TOTAL OPERATING REVENUES	<u>1,045</u>	<u>16,439</u>	<u>1,071</u>	<u>165,466</u>
OPERATING EXPENSES:				
PERSONAL SERVICES				
CONTRACTUAL SERVICES	11	1,023		14,826
MATERIALS AND SUPPLIES				
RENTALS AND INSURANCE				5,216
INTEREST	943			
DEPRECIATION AND AMORTIZATION	10			
BENEFITS				161,576
OTHER	139			1,135
TOTAL OPERATING EXPENSES	<u>1,103</u>	<u>1,023</u>		<u>182,753</u>
OPERATING INCOME(LOSS)	<u>(58)</u>	<u>15,416</u>	<u>1,071</u>	<u>(17,287)</u>
NONOPERATING REVENUES(EXPENSES):				
OPERATING GRANTS		9,000	3,200	
INTEREST INCOME				1,010
TOTAL NONOPERATING REVENUES		<u>9,000</u>	<u>3,200</u>	<u>1,010</u>
INCOME(LOSS) BEFORE OPERATING TRANSFERS	(58)	24,416	4,271	(16,277)
OPERATING TRANSFERS FROM GENERAL FUND				3,790
OPERATING TRANSFERS TO COMPONENT UNITS	<u>(25)</u>			
NET INCOME(LOSS)/CHANGE IN RETAINED EARNINGS	(83)	24,416	4,271	(12,487)
OTHER CHANGES IN FUND EQUITY:				
EQUITY TRANSFERS FROM GENERAL FUND		1,502		
NET CHANGE IN FUND EQUITY	<u>(83)</u>	<u>25,918</u>	<u>4,271</u>	<u>(12,487)</u>
FUND EQUITY, JULY 1	<u>3,682</u>	<u>387,147</u>	<u>19,378</u>	<u>2,460</u>
FUND EQUITY, JUNE 30	<u>\$ 3,599</u>	<u>\$ 413,065</u>	<u>\$ 23,649</u>	<u>\$ (10,027)</u>

LOCAL GOVERNMENT GROUP INSURANCE	DRINKING WATER	GRAIN INDEMNITY	PROPERTY UTILIZATION	MEDICARE SUPPLEMENT INSURANCE	TOTALS FOR THE YEAR ENDED	
					JUNE 30, 2001	JUNE 30, 2000
	\$ 91		\$ 1,666		\$ 14,735	\$ 12,403
	485				6,062	6,730
\$ 57,685				\$ 19,954	243,105	162,773
2					2	
57,687	576		1,666	19,954	263,904	181,906
			868		868	850
5,796	470		395	2,375	24,896	17,913
			840		840	19
1,400			(125)		6,491	9,341
					943	1,102
					10	10
60,846				10,292	232,714	138,405
519		\$ 106	84		1,983	1,671
68,561	470	106	2,062	12,667	268,745	169,311
(10,874)	106	(106)	(396)	7,287	(4,841)	12,595
	3,460				15,660	19,106
906		214		191	2,321	2,072
906	3,460	214		191	17,981	21,178
(9,968)	3,566	108	(396)	7,478	13,140	33,773
			200	2,611	6,601	2,880
					(25)	(25)
(9,968)	3,566	108	(196)	10,089	19,716	36,628
	4,173				5,675	6,352
(9,968)	7,739	108	(196)	10,089	25,391	42,980
12,387	9,049	3,573	200	-	437,876	394,896
\$ 2,419	\$ 16,788	\$ 3,681	\$ 4	\$ 10,089	\$ 463,267	\$ 437,876

STATE OF TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	STATE LOAN PROGRAM	SEWER TREATMENT LOAN	ENERGY LOAN PROGRAM	TEACHER GROUP INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:				
RECEIPTS FROM CUSTOMERS AND USERS				\$ 169,470
RECEIPTS FROM INTERFUND SERVICES PROVIDED				
OTHER RECEIPTS				
PAYMENTS TO SUPPLIERS		\$ (183)		(178,578)
PAYMENTS TO EMPLOYEES				
PAYMENTS FOR INTERFUND SERVICES USED	\$ (11)	(840)		(1,135)
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	(11)	(1,023)		(10,243)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
OPERATING GRANTS RECEIVED		9,000	\$ 3,200	
NEGATIVE CASH BALANCE IMPLICITLY FINANCED				
OPERATING TRANSFERS IN				3,790
OPERATING TRANSFERS TO COMPONENT UNITS	(25)			
EQUITY TRANSFERS IN		1,502		
PRINCIPAL PAYMENTS	(3,125)			
INTEREST PAID	(1,004)			
SUBSIDY TO BORROWERS	(129)			
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(4,283)	10,502	3,200	3,790
CASH FLOWS FROM INVESTING ACTIVITIES:				
LOANS ISSUED		(51,054)	(3,329)	
COLLECTION OF LOAN PRINCIPAL	3,217	13,609	1,488	
INTEREST RECEIVED	1,026	16,451	1,071	1,009
NET CASH FROM(USED FOR) INVESTING ACTIVITIES	4,243	(20,994)	(770)	1,009
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(51)	(11,515)	2,430	(5,444)
CASH AND CASH EQUIVALENTS, JULY 1	3,790	84,472	14,449	20,233
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 3,739	\$ 72,957	\$ 16,879	\$ 14,789
RECONCILITATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
OPERATING INCOME(LOSS)	\$ (58)	\$ 15,416	\$ 1,071	\$ (17,287)
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
DEPRECIATION AND AMORTIZATION	10			
LOSS ON DISPOSAL OF FIXED ASSET				
INVESTMENT INCOME	(255)	(4,439)	(883)	
CHARGES FOR SERVICES	(790)	(12,000)	(188)	
INTEREST EXPENSE	943			
SUBSIDY TO BORROWERS	139			
CHANGES IN ASSETS AND LIABILITIES:				
(INCREASE)DECREASE IN ACCOUNTS RECEIVABLE				17
(INCREASE)DECREASE IN DUE FROM COMPONENT UNITS				
(INCREASE)DECREASE IN INVENTORIES				
INCREASE(DECREASE) IN ACCOUNTS PAYABLE				6,916
INCREASE(DECREASE) IN DUE TO OTHER FUNDS				
INCREASE(DECREASE) IN DUE TO COMPONENT UNITS				
INCREASE(DECREASE) IN DEFERRED REVENUE				111
TOTAL ADJUSTMENTS	47	(16,439)	(1,071)	7,044
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	\$ (11)	\$ (1,023)	\$ -	\$ (10,243)

LOCAL GOVERNMENT GROUP INSURANCE	DRINKING WATER	GRAIN INDEMNITY	PROPERTY UTILIZATION	MEDICARE SUPPLEMENT INSURANCE	TOTALS FOR THE YEAR ENDED	
					JUNE 30, 2001	JUNE 30, 2000
\$ 60,246			\$ 1,524 82	\$ 20,191	\$ 251,431 82	\$ 189,525 230
(65,253)	\$ 3 (165)	\$ (106)	(1,009) (908)	(11,640)	(256,934) (908)	(186,363) (865)
<u>(519)</u>	<u>(305)</u>		<u>(193)</u>		<u>(3,003)</u>	<u>(2,579)</u>
<u>(5,526)</u>	<u>(467)</u>	<u>(106)</u>	<u>(504)</u>	<u>8,551</u>	<u>(9,329)</u>	<u>(52)</u>
	3,460		71 200		15,660 71	19,106
				2,611	6,601 (25)	2,880 (25)
	4,173				5,675 (3,125)	6,352 (3,195)
					(1,004) (129)	(1,164) (127)
	<u>7,633</u>		<u>271</u>	<u>2,611</u>	<u>23,724</u>	<u>23,827</u>
	(3,855) 50				(58,238) 18,364	(62,088) 16,643
<u>906</u>	<u>576</u>	<u>214</u>		<u>191</u>	<u>21,444</u>	<u>19,872</u>
<u>906</u>	<u>(3,229)</u>	<u>214</u>		<u>191</u>	<u>(18,430)</u>	<u>(25,573)</u>
(4,620)	3,937	108	(233)	11,353	(4,035)	(1,798)
<u>16,285</u>	<u>6,639</u>	<u>3,573</u>	<u>233</u>	<u>-</u>	<u>149,674</u>	<u>151,472</u>
\$ <u>11,665</u>	\$ <u>10,576</u>	\$ <u>3,681</u>	\$ <u>-</u>	\$ <u>11,353</u>	\$ <u>145,639</u>	\$ <u>149,674</u>
\$ <u>(10,874)</u>	\$ <u>106</u>	\$ <u>(106)</u>	\$ <u>(396)</u>	\$ <u>7,287</u>	\$ <u>(4,841)</u>	\$ <u>12,595</u>
					10	10
	(485) (91)				(6,062) (13,069)	(6,603) (11,089)
					943 139	1,102
11			(77) 17		(49) 17	865 (19)
5,342	3		(16) (32)	1,027	(16) 13,256	(1) 2,979
(1) (4)					(1) 344	(5) 112
<u>5,348</u>	<u>(573)</u>		<u>(108)</u>	<u>1,264</u>	<u>(4,488)</u>	<u>(12,647)</u>
\$ <u>(5,526)</u>	\$ <u>(467)</u>	\$ <u>(106)</u>	\$ <u>(504)</u>	\$ <u>8,551</u>	\$ <u>(9,329)</u>	\$ <u>(52)</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Office for Information Resources, a division of the Department of Finance and Administration - This division functions as the data and voice service bureau for state government.

Claims Award - This fund was created in 1985 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles.

General Services Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville. In addition, this division provides photographic services to the various state agencies.

Facilities Revolving Fund - This fund was created in 1989 to provide for the maintenance, repair and total housing needs of state government. This fund was phased in. The first year it included only downtown Nashville office space. In fiscal year 90-91, the fund expanded to include all office and warehouse space in Davidson, Knox, Madison, Shelby, Washington, Hamilton, and Sullivan Counties. In fiscal year 91-92, the fund encompassed all office and warehouse space in the State, except institutional space.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978, medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Food Services, a division of the Department of General Services - This division is responsible for the preparation and distribution of certain food to the various state institutions. This consists of food that is cooked and then immediately frozen and is then reheated at the institution.

Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol.

Purchasing, a division of the Department of General Services - This agency is responsible for the procurement of supplies, equipment and certain specialized services.

Central Stores, a division of the Department of General Services - This agency is responsible for the purchasing and distribution of office supplies to the Department of Health, Labor and Workforce Development, Human Services, and General Services.

Records Management, a division of the Department of General Services - This division is responsible for the retention and disposal of official records.

Division of Accounts, a division of the Department of Finance and Administration - This division is responsible for the centralized accounting function for the state.

(Expressed in Thousands)

	ASSETS	OFFICE FOR INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	FACILITIES REVOLVING FUND	EMPLOYEE GROUP INSURANCE
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	\$	73,024	\$	4,522	\$	25,653	\$
ACCOUNTS RECEIVABLE		177		174		2	
DUE FROM OTHER FUNDS(Note 2)		1					
DUE FROM COMPONENT UNITS(Note 2)		172		23			
INVENTORIES, at cost		1,210		11	119		
DEFERRED CHARGE						210	
PREPAID EXPENSES		363					
TOTAL CURRENT ASSETS		74,947		4,730	349	25,865	68,538
FIXED ASSETS:							
LAND, at cost						54,295	
STRUCTURES AND IMPROVEMENTS, at cost						390,176	
MACHINERY AND EQUIPMENT, at cost		89,182		123,389	1,562	349	
LESS-ACCUMULATED DEPRECIATION		(67,622)		(64,062)	(1,085)	(137,094)	
CONSTRUCTION IN PROGRESS						3,087	
TOTAL FIXED ASSETS		21,560		59,327	477	310,813	
TOTAL ASSETS	\$	96,507	\$	64,057	\$	336,678	\$
LIABILITIES AND FUND EQUITY							
LIABILITIES:							
CURRENT LIABILITIES:							
ACCOUNTS PAYABLE AND ACCRUALS:							
ACCOUNTS PAYABLE	\$	16,529	\$	1,673	\$	2,491	\$
ACCRUED PAYROLL AND RELATED DEDUCTIONS		2,344		162		201	
DUE TO OTHER FUNDS(Note 2)		136		8		12	
DUE TO COMPONENT UNITS(Note 2)		4					
COMMERCIAL PAPER PAYABLE (Note 3)						9,485	
CURRENT PORTION OF LONG-TERM DEBT(Note 3)						10,303	
LEASE OBLIGATIONS PAYABLE							
DEFERRED REVENUE		1,490		3			
OTHER							17,725
TOTAL CURRENT LIABILITIES		20,503		1,843	306	22,279	61,080
LONG-TERM DEBT:							
BONDS PAYABLE,NET(Note 3)						140,444	
TOTAL LIABILITIES		20,503		1,843	306	162,723	61,080
FUND EQUITY(Note 2):							
CONTRIBUTED CAPITAL:							
CAPITAL GRANTS				121			
GOVERNMENT'S CONTRIBUTIONS		50,019		10,127	706	124,008	
RETAINED EARNINGS(DEFICIT)		25,985		51,966	(186)	49,947	7,458
TOTAL FUND EQUITY		76,004		62,214	520	173,955	7,458
TOTAL LIABILITIES AND FUND EQUITY	\$	96,507	\$	64,057	\$	336,678	\$

FOOD SERVICES	POSTAL SERVICES	CAPITOL PRINT SHOP	PURCHASING	CENTRAL STORES	RECORDS MANAGEMENT	DIVISION OF ACCOUNTS	TOTALS	
							JUNE 30, 2001	JUNE 30, 2000
\$ 1,183	\$ 72	\$ 560	\$ 577		\$ 154	\$ 3,420	\$ 253,926	\$ 266,145
3	1						564	781
						6	7	608
	541	50		\$ 2			197	282
				841			2,772	3,742
							210	226
	49	15					427	625
1,186	663	625	577	843	154	3,426	258,103	272,409
215							54,510	49,650
15,752							405,928	393,582
3,951	2,276	706	48	7	340	17	221,827	211,929
(3,941)	(1,945)	(431)	(48)	(7)	(182)	(9)	(276,426)	(258,270)
							3,087	3,688
15,977	331	275	-	-	158	8	408,926	400,579
\$ 17,163	\$ 994	\$ 900	\$ 577	\$ 843	\$ 312	\$ 3,434	\$ 667,029	\$ 672,988
\$ 517	\$ 93	\$ 10	\$ 5	\$ 156	\$ 4	\$ 66	\$ 135,374	\$ 117,917
20	214	41	190	64	70	354	3,660	3,107
1	12		12	24	5	26	236	769
							4	
							9,485	38,754
							10,303	10,639
						116	116	
							19,218	16,250
								62
538	319	51	207	244	195	446	178,396	187,498
							140,444	114,809
538	319	51	207	244	195	446	318,840	302,307
21,251	403	258	72	345	170	2,163	121	121
(4,626)	272	591	298	254	(53)	825	209,522	206,304
							138,546	164,256
16,625	675	849	370	599	117	2,988	348,189	370,681
\$ 17,163	\$ 994	\$ 900	\$ 577	\$ 843	\$ 312	\$ 3,434	\$ 667,029	\$ 672,988

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	OFFICE FOR INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	FACILITIES REVOLVING FUND	EMPLOYEE GROUP INSURANCE
OPERATING REVENUES:						
CHARGES FOR SERVICES	\$ 146,296	\$ 30,382	\$ 22,421	\$ 3,926	\$ 87,797	\$ 284,209
PREMIUMS						38
OTHER						
TOTAL OPERATING REVENUES	146,296	30,382	22,421	3,926	87,797	284,247
OPERATING EXPENSES:						
PERSONAL SERVICES	18,270		1,297	1,802		
CONTRACTUAL SERVICES	97,918	7,036	1,639	1,025	46,402	26,200
MATERIALS AND SUPPLIES	15,021		12,804	1,024	2,392	
RENTALS AND INSURANCE	4,284		(348)	345	19,731	16,868
DEPRECIATION AND AMORTIZATION	10,449		10,233	102	8,516	
BENEFITS		30,039				276,972
OTHER	230		158	20	498	2,594
TOTAL OPERATING EXPENSES	146,172	37,075	25,783	4,318	77,539	322,634
OPERATING INCOME(LOSS)	124	(6,693)	(3,362)	(392)	10,258	(38,387)
NONOPERATING REVENUES(EXPENSES):						
TAXES		3				
DONATIONS	85				422	
INTEREST INCOME		4,737			2,015	4,452
INTEREST EXPENSE			(115)		(12,938)	
NONOPERATING REVENUES(EXPENSES)	85	4,740	(115)		(10,501)	4,452
INCOME (LOSS) BEFORE OPERATING TRANSFERS	209	(1,953)	(3,477)	(392)	(243)	(33,935)
OPERATING TRANSFERS FROM GENERAL FUND	3,539		4,250		661	
OPERATING TRANSFERS FROM EXPENDABLE TRUST						409
NET INCOME(LOSS)/CHANGE IN RETAINED EARNINGS	3,748	(1,953)	773	(392)	418	(33,526)
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFER FROM GENERAL FUND			761			
EQUITY TRANSFER FROM SPECIAL REVENUE FUNDS			279			
EQUITY TRANSFER FROM INTERNAL SERVICE FUNDS			15			
EQUITY TRANSFER TO INTERNAL SERVICE FUNDS						
NET CHANGE IN FUND EQUITY	3,748	(1,953)	1,828	(392)	418	(33,526)
FUND EQUITY, JULY 1	72,256	7,768	60,386	912	167,161	40,984
CHANGE IN ACCOUNTING PRINCIPLE PRIOR PERIOD ADJUSTMENT					6,376	
FUND EQUITY(Restated), JULY 1 (Note 2)	72,256	7,768	60,386	912	173,537	40,984
FUND EQUITY, JUNE 30	\$ 76,004	\$ 5,815	\$ 62,214	\$ 520	\$ 173,955	\$ 7,458

FOOD SERVICES	POSTAL SERVICES	CAPITOL PRINT SHOP	PURCHASING	CENTRAL STORES	RECORDS MANAGEMENT	DIVISION OF ACCOUNTS	TOTALS FOR YEAR ENDED	
							JUNE 30, 2001	JUNE 30, 2000
\$ 3,934	\$ 13,692	\$ 880	\$ 2,299	\$ 5,133	\$ 1,187	\$ 10,212	\$ 328,159	\$ 299,720
							284,209	226,601
							38	6
<u>3,934</u>	<u>13,692</u>	<u>880</u>	<u>2,299</u>	<u>5,133</u>	<u>1,187</u>	<u>10,212</u>	<u>612,406</u>	<u>526,327</u>
126	1,727	427	1,773	718	707	3,537	30,384	24,711
4,000	738	336	1,373	548	242	5,548	193,005	177,242
1	11,077	175	42	4,160	28	66	46,790	42,161
(35)	504	26	(550)	(292)	209	228	40,970	38,088
657	164	76			28	2	30,227	27,719
							307,011	226,903
<u>7</u>	<u>25</u>		<u>23</u>	<u>42</u>	<u>42</u>	<u>6</u>	<u>3,645</u>	<u>4,064</u>
<u>4,756</u>	<u>14,235</u>	<u>1,040</u>	<u>2,661</u>	<u>5,176</u>	<u>1,256</u>	<u>9,387</u>	<u>652,032</u>	<u>540,888</u>
<u>(822)</u>	<u>(543)</u>	<u>(160)</u>	<u>(362)</u>	<u>(43)</u>	<u>(69)</u>	<u>825</u>	<u>(39,626)</u>	<u>(14,561)</u>
							3	3
16							523	769
							11,204	11,511
					(3)		(13,056)	(8,301)
<u>16</u>					<u>(3)</u>		<u>(1,326)</u>	<u>3,982</u>
(806)	(543)	(160)	(362)	(43)	(72)	825	(40,952)	(10,579)
			22				8,472	22,608
							409	310
(806)	(543)	(160)	(340)	(43)	(72)	825	(32,071)	12,339
						2,163	2,924	2,064
							279	266
			(15)				15	
							(15)	
<u>(806)</u>	<u>(543)</u>	<u>(160)</u>	<u>(355)</u>	<u>(43)</u>	<u>(72)</u>	<u>2,988</u>	<u>(28,868)</u>	<u>14,669</u>
17,431	1,218	1,009	725	642	189	-	370,681	360,318
								(11,194)
							6,376	6,888
<u>17,431</u>	<u>1,218</u>	<u>1,009</u>	<u>725</u>	<u>642</u>	<u>189</u>	<u>-</u>	<u>377,057</u>	<u>356,012</u>
\$ <u>16,625</u>	\$ <u>675</u>	\$ <u>849</u>	\$ <u>370</u>	\$ <u>599</u>	\$ <u>117</u>	\$ <u>2,988</u>	\$ <u>348,189</u>	\$ <u>370,681</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	OFFICE FOR INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	FACILITIES REVOLVING FUND	EMPLOYEE GROUP INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:						
RECEIPTS FROM CUSTOMERS AND USERS	\$ 3,534	\$ 7,727	\$ 341	\$ 122	\$ 450	\$ 136,385
RECEIPTS FROM INTERFUND SERVICES PROVIDED	144,119	22,659	22,085	3,807	87,374	191,019
RECEIPTS FROM OPERATING GRANTS	9					
PAYMENTS TO SUPPLIERS	(101,666)	(25,927)	(9,258)	(1,611)	(55,302)	(353,034)
PAYMENTS TO EMPLOYEES	(18,189)		(1,303)	(1,811)		
PAYMENTS FOR INTERFUND SERVICES USED	(11,228)	(4,657)	(4,589)	(774)	(14,578)	(2,595)
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	16,579	(198)	7,276	(267)	17,944	(28,225)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
NEGATIVE CASH BALANCE IMPLICITLY FINANCED						
NEGATIVE CASH BALANCE IMPLICITLY REPAID						
OPERATING TRANSFERS IN	3,539		4,250		661	409
EQUITY TRANSFERS IN			1,055			
EQUITY TRANSFERS OUT						
TAX REVENUES RECEIVED		3				
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	3,539	3	5,305		661	409
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
PURCHASE OF FIXED ASSETS	(7,413)		(15,792)	(41)	(9,671)	
BOND, NOTE, AND COMMERCIAL PAPER PROCEEDS					49,406	
PROCEEDS FROM SALE OF FIXED ASSETS	23		812			
BOND ISSUANCE COST					(66)	
PRINCIPAL PAYMENTS			(3,500)		(50,036)	
INTEREST PAID			(115)		(12,938)	
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(7,390)		(18,595)	(41)	(23,305)	
CASH FLOWS FROM INVESTING ACTIVITIES:						
INTEREST RECEIVED		4,737			2,015	4,452
NET CASH FROM(USED FOR) INVESTING ACTIVITIES		4,737			2,015	4,452
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	12,728	4,542	(6,014)	(308)	(2,685)	(23,364)
CASH AND CASH EQUIVALENTS, JULY 1	60,296	71,658	10,536	537	28,338	91,696
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 73,024	\$ 76,200	\$ 4,522	\$ 229	\$ 25,653	\$ 68,332
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
OPERATING INCOME (LOSS)	\$ 124	\$ (6,693)	\$ (3,362)	\$ (392)	\$ 10,258	\$ (38,387)
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
DEPRECIATION AND AMORTIZATION	10,449		10,233	102	8,516	
LOSS ON DISPOSAL OF FIXED ASSETS	95		114		431	
BOND ISSUANCE COST					66	
CHANGES IN ASSETS AND LIABILITIES:						
(INCREASE)DECREASE IN ACCOUNTS RECEIVABLE	53		16	1	6	144
(INCREASE)DECREASE IN DUE FROM OTHER FUNDS	608					
(INCREASE)DECREASE IN DUE FROM COMPONENT UNITS	74		(11)	2	21	
(INCREASE)DECREASE IN INVENTORIES	(118)		3	(15)		
(INCREASE)DECREASE IN PREPAID EXPENSES	155					
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	4,487	6,492	283	34	(1,354)	7,685
INCREASE(DECREASE) IN DUE TO OTHER FUNDS	17			1		
INCREASE(DECREASE) IN DUE TO COMPONENT UNITS	4					
INCREASE(DECREASE) IN DEFERRED REVENUE	631	3				2,333
TOTAL ADJUSTMENTS	16,455	6,495	10,638	125	7,686	10,162
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	\$ 16,579	\$ (198)	\$ 7,276	\$ (267)	\$ 17,944	\$ (28,225)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
CONTRIBUTED FIXED ASSETS	\$ 85				\$ 422	
LEASE OBLIGATION PAYABLE						
FIXED ASSET ACQUIRED BY CAPITAL LEASE						
	\$ 85				\$ 422	

FOOD SERVICES	POSTAL SERVICES	CAPITOL PRINT SHOP	PURCHASING	CENTRAL STORES	RECORDS MANAGEMENT	DIVISION OF ACCOUNTS	TOTALS FOR THE YEAR ENDED	
							JUNE 30, 2001	JUNE 30, 2000
\$ 12	\$ 125		\$ 7	\$ 34	\$ 16	\$ 80	\$ 148,833	\$ 135,001
3,920	13,568	\$ 880	2,292	5,098	1,171	10,125	508,117	470,259
							9	
(3,926)	(10,550)	(470)	(322)	(4,225)	(71)	(798)	(567,160)	(525,564)
(131)	(1,715)	(445)	(1,790)	(714)	(712)	(3,189)	(29,999)	(24,724)
<u>(33)</u>	<u>(1,356)</u>	<u>(31)</u>	<u>(545)</u>	<u>(191)</u>	<u>(412)</u>	<u>(4,952)</u>	<u>(45,941)</u>	<u>(36,463)</u>
<u>(158)</u>	<u>72</u>	<u>(66)</u>	<u>(358)</u>	<u>2</u>	<u>(8)</u>	<u>1,266</u>	<u>13,859</u>	<u>18,509</u>
				(2)			(2)	114
			22				8,881	22,918
			(15)			2,163	3,218	2,330
							(15)	
							3	3
			7	(2)		2,163	12,085	25,365
						(9)	(32,926)	(40,954)
							49,406	38,754
							835	1,104
							(66)	
					(24)		(53,560)	(41,712)
					<u>(3)</u>		<u>(13,056)</u>	<u>(8,301)</u>
					<u>(27)</u>	<u>(9)</u>	<u>(49,367)</u>	<u>(51,109)</u>
							11,204	11,511
							11,204	11,511
(158)	72	(66)	(351)		(35)	3,420	(12,219)	4,276
<u>1,341</u>	<u>-</u>	<u>626</u>	<u>928</u>	<u>-</u>	<u>189</u>	<u>-</u>	<u>266,145</u>	<u>261,869</u>
\$ <u>1,183</u>	\$ <u>72</u>	\$ <u>560</u>	\$ <u>577</u>	\$ <u>-</u>	\$ <u>154</u>	\$ <u>3,420</u>	\$ <u>253,926</u>	\$ <u>266,145</u>
\$ <u>(822)</u>	\$ <u>(543)</u>	\$ <u>(160)</u>	\$ <u>(362)</u>	\$ <u>(43)</u>	\$ <u>(69)</u>	\$ <u>825</u>	\$ <u>(39,626)</u>	\$ <u>(14,561)</u>
657	164	76			28	2	30,227	27,719
					30		670	1,239
							66	
(1)				1			220	2,322
				(1)		(7)	601	(83)
	924	19		156			85	383
	28	14					969	(605)
8	76	(15)	4	(111)	2	420	197	354
	(577)				1	26	18,011	2,669
							(532)	7
							4	
							2,967	(935)
<u>664</u>	<u>615</u>	<u>94</u>	<u>4</u>	<u>45</u>	<u>61</u>	<u>441</u>	<u>53,485</u>	<u>33,070</u>
\$ <u>(158)</u>	\$ <u>72</u>	\$ <u>(66)</u>	\$ <u>(358)</u>	\$ <u>2</u>	\$ <u>(8)</u>	\$ <u>1,266</u>	\$ <u>13,859</u>	\$ <u>18,509</u>
\$ 16							\$ 523	\$ 769
					\$ (140)		(140)	
					<u>140</u>		<u>140</u>	
\$ <u>16</u>					\$ <u>-</u>		\$ <u>523</u>	\$ <u>769</u>

TRUST AND AGENCY FUNDS

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Labor and Workforce Development are expenditures of the General Fund.

Employee Flexible Benefits - Established in January 1988, this fund is used to account for monies contributed by employees under the IRC Section 125 cafeteria plan. Revenues in this fund are generated by forfeitures by employees and FICA savings. Expenditures or transfers of this fund include administrative and other employee benefit programs.

Baccalaureate Education - This fund was created by the General Assembly in 1996, to account for the collection of monies from individuals to purchase tuition units. These tuition units allow for a purchaser to prepay for college tuition.

Nonexpendable Trust Funds:

Academic Scholars Fund - This fund is used to account for the academic scholars program administered by TSAC. An endowment was established in 1986 to provide scholarships to superior students from the interest earnings.

Chairs of Excellence Fund - This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the Tennessee Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Oak Ridge Monitoring - Created in 2000 through a consent order with the United States Department of Energy (DOE), this fund is used to account for monies paid to the Tennessee Department of Environment and Conservation (TDEC) for surveillance and maintenance expenses related to the Environmental Management Waste Management Facility at Oak Ridge. After the facility has

been closed, TDEC will assume responsibility for monitoring and maintenance, using the income generated from the corpus as of the date of the last installment.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981, contributions of up to 5% of the retirement credible compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of July 1, 1999. As of that date there were 188,080 active members and 71,646 retired members representing a 5.0% and 7.5% increase, respectively, since the previous actuarial valuation in 1997.

Investment Trust Fund:

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds than they could realize individually.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

Bond Refunding Fund - This fund is used to account for the refunding bond issue for the Local Development Authority for which the State Treasurer is the trustee. The last bond refunding matured and was paid in June 2001.

Community Development Fund - This fund is used to account for the monies held in trust for the federal government under the Community Development Block Grant program. When the program terminates the monies revert to the U.S. Treasury.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	INVESTMENT TRUST
CASH AND CASH EQUIVALENTS	\$ 2,022	\$ 21,957	\$ 779,787	\$ 905,726
CASH ON DEPOSIT WITH FISCAL AGENT	817,254			
INVESTMENTS	26,087	202,907	23,233,275	834,212
RECEIVABLES:				
INTEREST AND DIVIDENDS	3,677	1,151	189,993	7,015
DUE FROM SALE OF INVESTMENTS			269,775	
DUE FROM OTHER GOVERNMENTS	2,872			
OTHER, net of allowance for uncollectibles of \$20,888 in 2001 and \$20,546 in 2000 (Note 2)	64,772		38,729	
DUE FROM OTHER FUNDS (Note 2)	354		2,974	
DUE FROM COMPONENT UNITS (Note 2)	13	762	3,290	
TOTAL ASSETS	<u>\$ 917,051</u>	<u>\$ 226,777</u>	<u>\$ 24,517,823</u>	<u>\$ 1,746,953</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUALS	\$ 17,860	\$ 1,152	\$ 665,932	
SECURITIES LENDING COLLATERAL			113,686	
DUE TO OTHER FUNDS (Note 2)	9,978			
DUE TO COMPONENT UNITS (Note 2)		2,046		
DEFERRED REVENUE	5,714			
AMOUNTS HELD IN CUSTODY FOR OTHERS				
MEMBER DEPOSITS	294			
ADVANCES FROM FEDERAL GOVERNMENT				
TOTAL LIABILITIES	<u>33,846</u>	<u>3,198</u>	<u>779,618</u>	
FUND BALANCES:				
RESERVED FOR PENSION BENEFITS			23,738,205	
RESERVED FOR LOCAL GOVERNMENT INVESTMENT POOL				\$ 1,746,953
RESERVED FOR CHAIRS OF EXCELLENCE		219,106		
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	855,103			
RESERVED FOR BACCALAUREATE EDUCATION TUITION	28,764			
RESERVED FOR ACADEMIC SCHOLARS		2,705		
RESERVED FOR OAK RIDGE MONITORING		1,043		
RESERVED FOR EMPLOYEE BENEFITS	94			
UNRESERVED:				
DESIGNATED FOR TRUST PURPOSES		725		
UNDESIGNATED	(756)			
TOTAL FUND BALANCES	<u>883,205</u>	<u>223,579</u>	<u>23,738,205</u>	<u>1,746,953</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 917,051</u>	<u>\$ 226,777</u>	<u>\$ 24,517,823</u>	<u>\$ 1,746,953</u>

AGENCY	TOTALS	
	JUNE 30, 2001	JUNE 30, 2000
\$ 396,930	\$ 2,106,422	\$ 2,002,003
	817,254	937,105
	24,296,481	24,462,400
	201,836	215,038
	269,775	19,905
	2,872	1,951
210,428	313,929	297,828
7,372	10,700	9,397
39	4,104	3,376
<u>\$ 614,769</u>	<u>\$ 28,023,373</u>	<u>\$ 27,949,003</u>

\$ 452,525	\$ 1,137,469	\$ 483,364
	113,686	
	9,978	6,750
	2,046	1,990
	5,714	4,378
129,230	129,230	233,491
	294	238
<u>33,014</u>	<u>33,014</u>	<u>32,017</u>
<u>614,769</u>	<u>1,431,431</u>	<u>762,228</u>

	23,738,205	24,337,679
	1,746,953	1,601,506
	219,106	232,361
	855,103	989,371
	28,764	21,748
	2,705	2,705
	1,043	
	94	151
	725	816
	(756)	438
	<u>26,591,942</u>	<u>27,186,775</u>
<u>\$ 614,769</u>	<u>\$ 28,023,373</u>	<u>\$ 27,949,003</u>

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	EMPLOYMENT SECURITY	EMPLOYEE FLEXIBLE BENEFITS	BACCALAUREATE EDUCATION	TOTALS	
				JUNE 30, 2001	JUNE 30, 2000
CASH AND CASH EQUIVALENTS		\$ 386	\$ 1,636	\$ 2,022	\$ 1,427
CASH ON DEPOSIT WITH FISCAL AGENT	\$ 817,254			817,254	937,105
INVESTMENTS			26,087	26,087	21,143
RECEIVABLES:					
INTEREST AND DIVIDENDS	3,400		277	3,677	3,605
DUE FROM OTHER GOVERNMENTS	2,872			2,872	1,951
OTHER, net of allowance for uncollectibles of \$16,390 in 2001 and \$15,634 in 2000(Note 2)	64,772			64,772	67,703
DUE FROM OTHER FUNDS(Note 2)	206	140	8	354	317
DUE FROM COMPONENT UNITS(Note 2)	10	3		13	16
TOTAL ASSETS	\$ 888,514	\$ 529	\$ 28,008	\$ 917,051	\$ 1,033,267
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE AND ACCRUALS	\$ 17,784	\$ 76		\$ 17,860	\$ 10,193
DUE TO OTHER FUNDS(Note 2)	9,913	65		9,978	6,750
DEFERRED REVENUE	5,714			5,714	4,378
MEMBER DEPOSITS		294		294	238
TOTAL LIABILITIES	33,411	435		33,846	21,559
FUND BALANCES:					
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	855,103			855,103	989,371
RESERVED FOR BACCALAUREATE EDUCATION TUITION			\$ 28,764	28,764	21,748
RESERVED FOR EMPLOYEE BENEFITS		94		94	151
UNRESERVED: UNDESIGNATED			(756)	(756)	438
TOTAL FUND BALANCES	855,103	94	28,008	883,205	1,011,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 888,514	\$ 529	\$ 28,008	\$ 917,051	\$ 1,033,267

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE FLEXIBLE BENEFITS	BACCALAUREATE EDUCATION	TOTALS FOR THE YEAR ENDED	
				JUNE 30, 2001	JUNE 30, 2000
REVENUES:					
EMPLOYER PREMIUMS	\$ 284,281			\$ 284,281	\$ 291,780
PRIVATE CONTRIBUTIONS			\$ 5,469	5,469	6,125
INTEREST INCOME	60,285		726	61,011	62,968
FEDERAL	28,701			28,701	24,415
OTHER	44	\$ 2,636	419	3,099	2,972
TOTAL REVENUES	373,311	2,636	6,614	382,561	388,260
EXPENDITURES:					
BENEFITS	507,579	1,779	324	509,682	346,240
ADMINISTRATIVE FEES		301	403	704	618
OTHER			65	65	51
TOTAL EXPENDITURES	507,579	2,080	792	510,451	346,909
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(134,268)	556	5,822	(127,890)	41,351
OTHER FINANCING SOURCES(USES):					
OPERATING TRANSFER (TO):					
GENERAL FUND		(204)		(204)	(180)
INTERNAL SERVICE FUNDS		(409)		(409)	(310)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(134,268)	(57)	5,822	(128,503)	40,861
FUND BALANCES, JULY 1	989,371	151	22,186	1,011,708	970,847
FUND BALANCES, JUNE 30	\$ 855,103	\$ 94	\$ 28,008	\$ 883,205	\$ 1,011,708

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE TRUST FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	ACADEMIC SCHOLARS	CHAIRS OF EXCELLENCE	OAK RIDGE MONITORING	TOTALS	
				JUNE 30, 2001	JUNE 30, 2000
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 4	\$ 20,910	\$ 1,043	\$ 21,957	\$ 13,994
RECEIVABLES:					
INTEREST AND DIVIDENDS		1,151		1,151	1,022
DUE FROM SALE OF INVESTMENTS					984
DUE FROM COMPONENT UNITS(Note 2)		762		762	669
TOTAL CURRENT ASSETS	4	22,823	1,043	23,870	16,669
OTHER ASSETS:					
LONG-TERM INVESTMENTS	3,426	199,481		202,907	221,447
TOTAL ASSETS	\$ 3,430	\$ 222,304	\$ 1,043	\$ 226,777	\$ 238,116
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE AND ACCRUALS		\$ 1,152		\$ 1,152	\$ 244
DUE TO COMPONENT UNITS(Note 2)		2,046		2,046	1,990
TOTAL LIABILITIES		3,198		3,198	2,234
FUND BALANCES:					
RESERVED FOR CHAIRS OF EXCELLENCE		219,106		219,106	232,361
RESERVED FOR ACADEMIC SCHOLARS	\$ 2,705			2,705	2,705
RESERVED FOR OAK RIDGE MONITORING			\$ 1,043	1,043	
UNRESERVED:					
DESIGNATED FOR TRUST PURPOSES	725			725	816
TOTAL FUND BALANCES	3,430	219,106	1,043	223,579	235,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,430	\$ 222,304	\$ 1,043	\$ 226,777	\$ 238,116

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE TRUST FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	ACADEMIC SCHOLARS	CHAIRS OF EXCELLENCE	OAK RIDGE MONITORING	TOTALS FOR THE YEAR ENDED	
				JUNE 30, 2001	JUNE 30, 2000
OPERATING REVENUES:					
PRIVATE CONTRIBUTIONS		\$ 625		\$ 625	\$ 668
INTEREST INCOME	\$ 227		\$ 43	270	241
NET INCOME FROM INVESTMENT TRANSACTIONS		(6,881)		(6,881)	12,095
OTHER			1,000	1,000	
TOTAL OPERATING REVENUES	227	(6,256)	1,043	(4,986)	13,004
OPERATING EXPENSES:					
AWARDS	570	6,814		7,384	7,231
ADMINISTRATIVE FEES		185		185	185
TOTAL OPERATING EXPENSES	570	6,999		7,569	7,416
OPERATING INCOME(LOSS)	(343)	(13,255)	1,043	(12,555)	5,588
INCOME(LOSS) BEFORE OPERATING TRANSFERS	(343)	(13,255)	1,043	(12,555)	5,588
OPERATING TRANSFERS FROM: SPECIAL REVENUE FUNDS	252			252	252
NET INCOME(LOSS)	(91)	(13,255)	1,043	(12,303)	5,840
FUND BALANCE, JULY 1	3,521	232,361	-	235,882	230,042
FUND BALANCE, JUNE 30	\$ 3,430	\$ 219,106	\$ 1,043	\$ 223,579	\$ 235,882

STATE OF TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	ACADEMIC SCHOLARS	CHAIRS OF EXCELLENCE	OAK RIDGE MONITORING	TOTALS FOR THE YEAR ENDED	
				JUNE 30, 2001	JUNE 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS FROM GRANTORS		\$ 625	\$ 1,000	\$ 1,625	\$ 668
PAYMENTS FOR INTERFUND SERVICES USED		(185)		(185)	(185)
PAYMENTS TO GRANTEES	\$ (572)	(6,850)		(7,422)	(8,088)
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	(572)	(6,410)	1,000	(5,982)	(7,605)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
OPERATING TRANSFERS IN	252			252	252
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	252			252	252
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENTS	(227)	(88,956)		(89,183)	(102,865)
PROCEEDS FROM INVESTMENTS	318	93,838		94,156	102,598
INVESTMENT INCOME RECEIVED		8,450		8,450	9,249
INTEREST RECEIVED	227		43	270	241
NET CASH FROM(USED FOR) INVESTING ACTIVITIES	318	13,332	43	13,693	9,223
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(2)	6,922	1,043	7,963	1,870
CASH AND CASH EQUIVALENTS, JULY 1	6	13,988	-	13,994	12,124
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 4	\$ 20,910	\$ 1,043	\$ 21,957	\$ 13,994
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ (343)	\$ (13,255)	\$ 1,043	\$ (12,555)	\$ 5,588
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
INVESTMENT INCOME		6,881		6,881	(12,095)
INTEREST INCOME	(227)		(43)	(270)	(241)
CHANGES IN ASSETS AND LIABILITIES:					
(INCREASE)DECREASE IN DUE FROM COMPONENT UNITS		(93)		(93)	(209)
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	(2)			(2)	2
INCREASE(DECREASE) IN DUE TO COMPONENT UNITS		57		57	(650)
TOTAL ADJUSTMENTS	(229)	6,845	(43)	6,573	(13,193)
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	\$ (572)	\$ (6,410)	\$ 1,000	\$ (5,982)	\$ (7,605)

STATE OF TENNESSEE
STATEMENT OF NET ASSETS
PENSION TRUST AND INVESTMENT TRUST FUND
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

ASSETS	STATE EMPLOYEES, TEACHERS, HIGHER EDUCATION EMPLOYEES PENSION PLAN (SETHEEP)	POLITICAL SUBDIVISIONS PENSION PLAN (PSPP)	TOTAL PENSION	LOCAL GOVERNMENT INVESTMENT	TOTALS	
					JUNE 30, 2001	JUNE 30, 2000
CASH AND CASH EQUIVALENTS	\$ 676,174	\$ 103,613	\$ 779,787	\$ 905,726	\$ 1,685,513	\$ 1,519,614
INVESTMENTS:						
SHORT TERM SECURITIES	450,688	69,061	519,749	834,212	1,353,961	1,029,361
GOVERNMENT BONDS	7,795,671	1,194,562	8,990,233		8,990,233	9,445,717
CORPORATE BONDS	3,100,092	475,040	3,575,132		3,575,132	3,587,989
CORPORATE STOCKS	8,449,363	1,294,730	9,744,093		9,744,093	9,985,414
REAL ESTATE	251,798	38,584	290,382		290,382	153,280
INVESTED SECURITIES LENDING COLLATERAL	98,580	15,106	113,686		113,686	
TOTAL INVESTMENTS	20,146,192	3,087,083	23,233,275	834,212	24,067,487	24,201,761
RECEIVABLES:						
MEMBER CONTRIBUTIONS	15,056	3,809	18,865		18,865	16,926
EMPLOYER CONTRIBUTIONS	11,417	8,447	19,864		19,864	21,271
ACCRUED INTEREST	160,909	24,657	185,566	7,015	192,581	200,090
ACCRUED DIVIDENDS	3,839	588	4,427		4,427	10,017
INVESTMENTS SOLD	233,929	35,846	269,775		269,775	18,921
TOTAL RECEIVABLES	425,150	73,347	498,497	7,015	505,512	267,225
DUE FROM OTHER FUNDS(Note 2)	2,974		2,974		2,974	2,385
DUE FROM COMPONENT UNITS(Note 2)	3,290		3,290		3,290	2,660
TOTAL ASSETS	21,253,780	3,264,043	24,517,823	1,746,953	26,264,776	25,993,645
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
ACCOUNTS PAYABLE	577,223	88,709	665,932		665,932	54,460
SECURITIES LENDING COLLATERAL	98,580	15,106	113,686		113,686	
TOTAL LIABILITIES	675,803	103,815	779,618		779,618	54,460
NET ASSETS HELD IN TRUST	\$ 20,577,977	\$ 3,160,228	\$ 23,738,205	\$ 1,746,953	\$ 25,485,158	\$ 25,939,185

STATE OF TENNESSEE
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

<u>ASSETS</u>	<u>LOCAL GOVERNMENT</u>	<u>CONTINGENT REVENUE</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>TOTALS</u>	
				<u>JUNE 30, 2001</u>	<u>JUNE 30, 2000</u>
CASH AND CASH EQUIVALENTS	\$ 233,273	\$ 144,761	\$ 18,896	\$ 396,930	\$ 466,968
INVESTMENTS					18,049
RECEIVABLES:					
INTEREST AND DIVIDENDS					304
OTHER, net of allowance for uncollectibles of \$4,498 in 2001 and \$4,912 in 2000 (Note 2)	196,307	3	14,118	210,428	191,928
DUE FROM OTHER FUNDS (Note 2)		7,372		7,372	6,695
DUE FROM COMPONENT UNITS (Note 2)		39		39	31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>429,580</u>	\$ <u>152,175</u>	\$ <u>33,014</u>	\$ <u>614,769</u>	\$ <u>683,975</u>
 <u>LIABILITIES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE AND ACCRUALS	\$ 429,580	\$ 22,945		\$ 452,525	\$ 418,467
AMOUNTS HELD IN CUSTODY FOR OTHERS		129,230		129,230	233,491
ADVANCES FROM FEDERAL GOVERNMENT			\$ 33,014	33,014	32,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>429,580</u>	\$ <u>152,175</u>	\$ <u>33,014</u>	\$ <u>614,769</u>	\$ <u>683,975</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

<u>LOCAL GOVERNMENT FUND</u>	<u>BALANCE JULY 1, 2000</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2001</u>
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 225,042	\$ 2,228,156	\$ 2,219,925	\$ 233,273
ACCOUNTS RECEIVABLES	<u>177,914</u>	<u>196,307</u>	<u>177,914</u>	<u>196,307</u>
TOTAL ASSETS	\$ <u>402,956</u>	\$ <u>2,424,463</u>	\$ <u>2,397,839</u>	\$ <u>429,580</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE AND ACCRUALS	\$ <u>402,956</u>	\$ <u>2,469,248</u>	\$ <u>2,442,624</u>	\$ <u>429,580</u>
TOTAL LIABILITIES	\$ <u>402,956</u>	\$ <u>2,469,248</u>	\$ <u>2,442,624</u>	\$ <u>429,580</u>
 <u>CONTINGENT REVENUE FUND</u>				
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 169,520	\$ 975,625	\$ 1,000,384	\$ 144,761
ACCOUNTS RECEIVABLES		3		3
DUE FROM OTHER FUNDS(Note 2)	6,695	7,443	6,766	7,372
DUE FROM COMPONENT UNITS(Note 2)	<u>31</u>	<u>39</u>	<u>31</u>	<u>39</u>
TOTAL ASSETS	\$ <u>176,246</u>	\$ <u>983,110</u>	\$ <u>1,007,181</u>	\$ <u>152,175</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE AND ACCRUALS	\$ 15,511	\$ 345,506	\$ 338,072	\$ 22,945
AMOUNT HELD IN CUSTODY FOR OTHERS	<u>160,735</u>	<u>613,538</u>	<u>645,043</u>	<u>129,230</u>
TOTAL LIABILITIES	\$ <u>176,246</u>	\$ <u>959,044</u>	\$ <u>983,115</u>	\$ <u>152,175</u>
 <u>BOND REFUNDING</u>				
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 54,403	\$ 75,537	\$ 129,940	\$ -
INVESTMENTS	18,049	55,492	73,541	-
ACCOUNTS RECEIVABLES	<u>304</u>	<u> </u>	<u>304</u>	<u>-</u>
TOTAL ASSETS	\$ <u>72,756</u>	\$ <u>131,029</u>	\$ <u>203,785</u>	\$ <u>-</u>
<u>LIABILITIES</u>				
AMOUNT HELD IN CUSTODY FOR OTHERS	\$ <u>72,756</u>	\$ <u>1,693</u>	\$ <u>74,449</u>	\$ <u>-</u>
TOTAL LIABILITIES	\$ <u>72,756</u>	\$ <u>1,693</u>	\$ <u>74,449</u>	\$ <u>-</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

<u>COMMUNITY DEVELOPMENT</u>	<u>BALANCE</u> <u>JULY 1, 2000</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2001</u>
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 18,003	\$ 3,374	\$ 2,481	\$ 18,896
ACCOUNTS RECEIVABLES	<u>14,014</u>	<u>1,835</u>	<u>1,731</u>	<u>14,118</u>
TOTAL ASSETS	\$ <u>32,017</u>	\$ <u>5,209</u>	\$ <u>4,212</u>	\$ <u>33,014</u>
<u>LIABILITIES</u>				
ADVANCES FROM FEDERAL GOVERNMENT	\$ <u>32,017</u>	\$ <u>997</u>	\$ <u>-</u>	\$ <u>33,014</u>
TOTAL LIABILITIES	\$ <u>32,017</u>	\$ <u>997</u>	\$ <u>-</u>	\$ <u>33,014</u>
 <u>TOTALS-ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 466,968	\$ 3,282,692	\$ 3,352,730	\$ 396,930
INVESTMENTS	18,049	55,492	73,541	
ACCOUNTS RECEIVABLES	192,232	198,145	179,949	210,428
DUE FROM OTHER FUNDS(Note 2)	6,695	7,443	6,766	7,372
DUE FROM COMPONENT UNITS(Note 2)	<u>31</u>	<u>39</u>	<u>31</u>	<u>39</u>
TOTAL ASSETS	\$ <u>683,975</u>	\$ <u>3,543,811</u>	\$ <u>3,613,017</u>	\$ <u>614,769</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE AND ACCRUALS	\$ 418,467	\$ 2,814,754	\$ 2,780,696	\$ 452,525
AMOUNT HELD IN CUSTODY FOR OTHERS	233,491	615,231	719,492	129,230
ADVANCES FROM FEDERAL GOVERNMENT	<u>32,017</u>	<u>997</u>	<u></u>	<u>33,014</u>
TOTAL LIABILITIES	\$ <u>683,975</u>	\$ <u>3,430,982</u>	\$ <u>3,500,188</u>	\$ <u>614,769</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service and Expendable Trust Funds.

STATE OF TENNESSEE
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 2001

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	\$ 181,069
STRUCTURES AND IMPROVEMENTS	1,180,979
MACHINERY AND EQUIPMENT	248,808
CONSTRUCTION IN PROGRESS	<u>61,602</u>
TOTAL GENERAL FIXED ASSETS	\$ <u><u>1,672,458</u></u>
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	\$ 133,025
GENERAL OBLIGATION BONDS	555,952
FEDERAL GRANTS	86,685
LOCAL GOVERNMENT	13,161
OTHER	78,677
GENERAL FUND REVENUES	109,045
SPECIAL REVENUE FUNDS REVENUES	259,432
DONATIONS	25,893
LAND, STRUCTURES AND IMPROVEMENTS ACQUIRED PRIOR TO JULY 1, 1984	<u>410,588</u>
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	\$ <u><u>1,672,458</u></u>

STATE OF TENNESSEE
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 2001

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			\$ 213	\$ 213
CONSTITUTIONAL OFFICES			2,190	2,190
ADMINISTRATION	\$ 17,211	\$ 22,611	1,598	41,420
REVENUE		61	2,024	2,085
TOTAL GENERAL GOVERNMENT	17,211	22,672	6,025	45,908
EDUCATION	636	65,968	2,043	68,647
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	4,410	5,275		9,685
LABOR AND WORKFORCE DEVELOPMENT		353	4,415	4,768
TENNCARE			381	381
MENTAL HEALTH AND MENTAL RETARDATION	1,753	146,141	5,061	152,955
HEALTH	124	12,716	5,694	18,534
HUMAN SERVICES	282	10,328	5,899	16,509
CHILDREN'S SERVICES	372	34,581	1,250	36,203
TOTAL HEALTH AND SOCIAL SERVICES	6,941	209,394	22,700	239,035
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL			3,023	3,023
CORRECTION	6,148	430,476	11,359	447,983
MILITARY	3,772	132,228	2,991	138,991
BUREAU OF CRIMINAL INVESTIGATION			16,082	16,082
SAFETY	37	3,363	9,684	13,084
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	9,957	566,067	43,139	619,163
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	6,850	5,929	4,566	17,345
TOURIST DEVELOPMENT			16	16
ENVIRONMENT AND CONSERVATION	49,542	222,439	4,430	276,411
WILDLIFE RESOURCES	83,966	24,978	15,054	123,998
ECONOMIC AND COMMUNITY DEVELOPMENT	505		1,513	2,018
TOTAL RECREATION AND RESOURCES DEVELOPMENT	140,863	253,346	25,579	419,788
REGULATION OF BUSINESS AND PROFESSIONS:				
COMMERCE AND INSURANCE			146	146
FINANCIAL INSTITUTIONS			81	81
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			227	227
TRANSPORTATION	5,461	63,532	149,095	218,088
TOTALS ALLOCATED TO FUNCTIONS	\$ 181,069	\$ 1,180,979	\$ 248,808	1,610,856
CONSTRUCTION IN PROGRESS				61,602
TOTAL GENERAL FIXED ASSETS(Note 2)				\$ 1,672,458

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1, 2000	BEGINNING BALANCE ADJUSTMENTS	GENERAL FIXED ASSETS, JULY 1, 2000 ADJUSTED	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 2001
GENERAL GOVERNMENT:						
LEGISLATIVE	\$ 160		\$ 160	\$ 53		\$ 213
CONSTITUTIONAL OFFICES	2,130		2,130	206	\$ 146	2,190
ADMINISTRATION	39,610	\$ 1,645	41,255	592	427	41,420
REVENUE	1,480	61	1,541	813	269	2,085
TOTAL GENERAL GOVERNMENT	43,380	1,706	45,086	1,664	842	45,908
EDUCATION	85,835	(6,291)	79,544	539	11,436	68,647
HEALTH AND SOCIAL SERVICES:						
VETERANS AFFAIRS	5,038	4,487	9,525	160		9,685
LABOR AND WORKFORCE DEVELOPMENT	4,798	(350)	4,448	423	103	4,768
TENNCARE				381		381
MENTAL HEALTH AND MENTAL RETARDATION	171,199	(18,093)	153,106	596	747	152,955
HEALTH	16,465	2,427	18,892	575	933	18,534
HUMAN SERVICES	17,205	(320)	16,885	768	1,144	16,509
CHILDREN'S SERVICES	37,875	(1,732)	36,143	226	166	36,203
TOTAL HEALTH AND SOCIAL SERVICES	252,580	(13,581)	238,999	3,129	3,093	239,035
LAW, JUSTICE AND PUBLIC SAFETY:						
JUDICIAL	3,124		3,124	146	247	3,023
CORRECTION	462,816	(16,034)	446,782	2,045	844	447,983
MILITARY	135,914	(312)	135,602	3,491	102	138,991
BUREAU OF CRIMINAL INVESTIGATION	16,111		16,111	1,782	1,811	16,082
SAFETY	15,553	(3,025)	12,528	836	280	13,084
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	633,518	(19,371)	614,147	8,300	3,284	619,163
RECREATION AND RESOURCES DEVELOPMENT:						
AGRICULTURE	11,992	5,172	17,164	195	14	17,345
TOURIST DEVELOPMENT	40		40		24	16
ENVIRONMENT AND CONSERVATION	287,045	(13,365)	273,680	6,469	3,738	276,411
WILDLIFE RESOURCES	111,797	(423)	111,374	14,153	1,529	123,998
ECONOMIC AND COMMUNITY DEVELOPMENT	2,041		2,041		23	2,018
TOTAL RECREATION AND RESOURCES AND DEVELOPMENT	412,915	(8,616)	404,299	20,817	5,328	419,788
REGULATION OF BUSINESS AND PROFESSIONS:						
COMMERCE AND INSURANCE	217		217	29	100	146
FINANCIAL INSTITUTIONS	219		219	22	160	81
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	436		436	51	260	227
TRANSPORTATION	209,089	(751)	208,338	17,411	7,661	218,088
CONSTRUCTION IN PROGRESS	38,939		38,939	30,050	7,387	61,602
TOTAL GENERAL FIXED ASSETS(Note 1 and 2)	\$ 1,676,692	\$ (46,904)	\$ 1,629,788	\$ 81,961	\$ 39,291	\$ 1,672,458

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation notes, bonds and commercial paper, for arbitrage rebate payable in future years, for claims payable in future years, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	BALANCE JUNE 30, 2000	GENERAL OBLIGATION DEBT ISSUED	GENERAL OBLIGATION DEBT (RETIRED)	DEBT SERVICE FUND OPERATIONS	OTHER INCREASES (DECREASES)	BALANCE JUNE 30, 2001
AMOUNT AVAILABLE IN DEBT SERVICE FUND	\$ 2,750			\$ 657		\$ 3,407
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	<u>1,316,334</u>	<u>\$ 260,929</u>	<u>\$ (189,724)</u>	<u>(657)</u>	<u>\$ 40,687</u>	<u>1,427,569</u>
TOTAL AVAILABLE AND TO BE PROVIDED	<u>\$ 1,319,084</u>	<u>\$ 260,929</u>	<u>\$ (189,724)</u>	<u>\$ -</u>	<u>\$ 40,687</u>	<u>\$ 1,430,976</u>
GENERAL OBLIGATION BONDS PAYABLE(Note 3)	\$ 858,273	\$ 112,480	\$ (72,044)			\$ 898,709
GENERAL OBLIGATION COMMERCIAL PAPER PAYABLE (Note 3)	209,746	148,449	(117,680)			240,515
CLAIMS PAYABLE	111,552				\$ 21,676	133,228
ACCRUED ANNUAL AND COMPENSATORY LEAVE	139,017				19,061	158,078
LEASE OBLIGATION PAYABLE	<u>496</u>				<u>(50)</u>	<u>446</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	<u>\$ 1,319,084</u>	<u>\$ 260,929</u>	<u>\$ (189,724)</u>	<u>\$ -</u>	<u>\$ 40,687</u>	<u>\$ 1,430,976</u>

COMPONENT UNITS

Tennessee Student Assistance Corporation - This fund is used to account for the guaranteed loans program administered by Tennessee Student Assistance Corporation (TSAC).

Community Services Agencies - In 1989, the Legislature created twelve Community Services Agencies which are to provide a mechanism to coordinate health care for indigents. In 1996, the title and focus of these agencies changed to that of facilitating the providing of services to children and other citizens from state agencies. The State has significant oversight responsibilities for these agencies, therefore, they have been incorporated into the Comprehensive Annual Financial Report. The twelve Community Services Agencies are:

- Northeast Community Services Agency
- East Tennessee Community Services Agency
- Upper Cumberland Community Services Agency
- Southeast Community Services Agency
- Mid-Cumberland Community Services Agency
- South Central Community Services Agency
- Northwest Community Services Agency
- Southwest Community Services Agency
- Davidson County Community Services Agency
- Knox County Community Services Agency
- Shelby County Community Services Agency
- Hamilton County Community Services Agency

Certified Cotton Growers' Organization - This organization was formed to aid in the eradication of the boll weevil. Revenues are collected from assessments on cotton growers and from state appropriations.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, mental retardation, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

Veterans' Homes Board - Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans' Administration, Medicaid, and a user fee.

Child Care Facilities - This organization was formed to create new child care slots in Tennessee by guaranteeing loans, making direct loans, and making grants. The source of revenue is interest on loans made.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. In addition, the Authority issues Qualified Zone Academy Bonds, which are part of a federal government program to finance loans to qualifying K-12 schools in the state.

Tennessee Board of Regents - The Tennessee University and Community College System was created by the General Assembly in 1972. Its member institutions (six universities, twelve community colleges, one technical institute, and twenty-seven technology centers) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville
University of Memphis	Memphis

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Northeast State Technical Community College	Blountville
Pellissippi State Technical Community College	Knoxville
Roane State Community College	Harriman
Southwest Tennessee Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

STATE TECHNICAL INSTITUTES

Nashville State Technical Institute	Nashville
-------------------------------------	-----------

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

TECHNOLOGY CENTERS

Athens	McKenzie
Chattanooga	McMinnville
Covington	Memphis
Crossville	Morristown
Crump	Murfreesboro
Dickson	Nashville
Elizabethton	Newbern
Harriman	Oneida
Hartsville	Paris
Hohenwald	Pulaski
Jacksboro	Ripley
Jackson	Shelbyville
Knoxville	Whiteville
Livingston	

The purpose of the technology centers is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUND TYPES				
	TENNESSEE STUDENT ASSISTANCE CORPORATION	NORTHEAST	EAST TENNESSEE	UPPER CUMBERLAND	SOUTHEAST
CASH AND CASH EQUIVALENTS	\$ 69,706	\$ 727	\$ 747	\$ 186	\$ 521
CASH ON DEPOSIT WITH FISCAL AGENT					
INVESTMENTS					
RECEIVABLES (Note 2)	26,708	4	1	1	7
ADVANCES TO COMPONENT UNITS(Note 2)					
DUE FROM OTHER FUNDS(Note 2)					
DUE FROM PRIMARY GOVERNMENT(Note 2)		536	1,169	426	628
DUE FROM COMPONENT UNITS(Note 2)					
INVENTORIES, at cost					
PREPAYMENTS		1	5	2	1
DEFERRED CHARGES AND OTHER					
LAND, at cost					
STRUCTURES AND IMPROVEMENTS, at cost					
MACHINERY AND EQUIPMENT, at cost	5	25	177	23	74
LESS ACCUMULATED DEPRECIATION					
CONSTRUCTION IN PROGRESS					
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	91	180	139	72	73
RESTRICTED ASSETS:					
CASH AND CASH EQUIVALENTS					
INVESTMENTS					
TOTAL ASSETS AND OTHER DEBITS	\$ <u>96,510</u>	\$ <u>1,473</u>	\$ <u>2,238</u>	\$ <u>710</u>	\$ <u>1,304</u>
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>					
LIABILITIES:					
ACCOUNTS PAYABLE AND ACCRUALS	\$ 1,145	\$ 611	\$ 632	\$ 225	\$ 265
DUE TO OTHER FUNDS(Note 2)					
DUE TO PRIMARY GOVERNMENT(Note 2)	8	132	202	64	166
DUE TO COMPONENT UNITS(Note 2)				1	4
ADVANCES FROM PRIMARY GOVERNMENT(Note 2)					
ADVANCES FROM COMPONENT UNITS(Note 2)					
COMMERCIAL PAPER PAYABLE (Note 3)					
NOTES PAYABLE(Note 3)					
BONDS PAYABLE(Note 3)					
LEASE OBLIGATIONS PAYABLE					
DEFERRED REVENUE	91			5	
ADVANCE FROM FEDERAL GOVERNMENT	902				
OTHER					
TOTAL LIABILITIES	<u>2,146</u>	<u>743</u>	<u>834</u>	<u>295</u>	<u>435</u>
FUND EQUITY AND OTHER CREDITS(Note 2):					
CONTRIBUTED CAPITAL					
INVESTMENT IN FIXED ASSETS	5	25	177	23	74
RETAINED EARNINGS:					
RESERVED FOR BOND RETIREMENT					
RESERVED FOR LOCAL DEVELOPMENT LOANS					
RESERVED FOR HOUSING DEVELOPMENT					
RESERVED FOR FOUNDATION					
UNRESERVED					
FUND BALANCES(Note 2):					
RESERVED FOR:					
RELATED ASSETS	5,793	1	5	2	1
ENCUMBRANCES AND CONTRACTS		1			
OTHER SPECIFIC PURPOSES	88,566				
UNRESERVED:					
DESIGNATED FOR TRUST PURPOSES					
DESIGNATED FOR COLLEGES AND UNIVERSITIES					
UNDESIGNATED		703	1,222	390	794
TOTAL FUND EQUITY AND OTHER CREDITS	<u>94,364</u>	<u>730</u>	<u>1,404</u>	<u>415</u>	<u>869</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT	\$ <u>96,510</u>	\$ <u>1,473</u>	\$ <u>2,238</u>	\$ <u>710</u>	\$ <u>1,304</u>

GOVERNMENTAL FUND TYPES

<u>MID- CUMBERLAND</u>	<u>SOUTH CENTRAL</u>	<u>NORTHWEST</u>	<u>SOUTHWEST</u>	<u>DAVIDSON COUNTY</u>	<u>KNOX COUNTY</u>	<u>SHELBY COUNTY</u>	<u>HAMILTON COUNTY</u>	<u>CERTIFIED COTTON GROWERS'</u>
\$ 758	\$ 490	\$ 1,067	\$ 655	\$ 40	\$ 199	\$ 410	\$ 305	\$ 303
		4				50		107
134	118	45	393	520	419	1,176	166 25	
12	3	1	7		3		7	
204	20	24	31		59	299	23	
136	55	118	169		91	133	44	25,585
<u>\$ 1,244</u>	<u>\$ 686</u>	<u>\$ 1,259</u>	<u>\$ 1,255</u>	<u>\$ 560</u>	<u>\$ 771</u>	<u>\$ 2,068</u>	<u>\$ 570</u>	<u>\$ 25,995</u>
\$ 431	\$ 137	\$ 271	\$ 372	\$ 555	\$ 292	\$ 510	\$ 156	\$ 2,291
331	138	391	149		211	354	83 2	
								23,704
35							18	
<u>797</u>	<u>275</u>	<u>662</u>	<u>521</u>	<u>555</u>	<u>503</u>	<u>864</u>	<u>259</u>	<u>25,995</u>
204	20	24	31		59	299	23	
12	3	1	7		3		7	
<u>231</u>	<u>388</u>	<u>572</u>	<u>696</u>	<u>5</u>	<u>206</u>	<u>905</u>	<u>281</u>	
<u>447</u>	<u>411</u>	<u>597</u>	<u>734</u>	<u>5</u>	<u>268</u>	<u>1,204</u>	<u>311</u>	
<u>\$ 1,244</u>	<u>\$ 686</u>	<u>\$ 1,259</u>	<u>\$ 1,255</u>	<u>\$ 560</u>	<u>\$ 771</u>	<u>\$ 2,068</u>	<u>\$ 570</u>	<u>\$ 25,995</u>

(Continued on Next Page)

(Continued from Previous Page)

STATE OF TENNESSEE
COMBINING BALANCE SHEET
COMPONENT UNITS (continued)
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

ASSETS AND OTHER DEBITS	PROPRIETARY FUND TYPES			PROPRIETARY FUND TYPES		COLL
	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	VETERANS' HOMES BOARD	CHILD CARE FACILITIES	STATE SCHOOL BOND AUTHORITY	UNIV' BOARD OF REGENTS
CASH AND CASH EQUIVALENTS	\$ 358,192	\$ 24,611	\$ 342	\$ 685	\$ 27,535	\$ 315,605
CASH ON DEPOSIT WITH FISCAL AGENT					21	597
INVESTMENTS	483,512	91	54		34	107,104
RECEIVABLES (Note 2)	1,534,559	96,548	1,281	94	5,280	104,300
ADVANCES TO COMPONENT UNITS(Note 2)					362,537	
DUE FROM OTHER FUNDS(Note 2)						17,214
DUE FROM PRIMARY GOVERNMENT(Note 2)						980
DUE FROM COMPONENT UNITS(Note 2)					23,254	1
INVENTORIES, at cost			61			6,953
PREPAYMENTS			92			3,886
DEFERRED CHARGES AND OTHER	12,325	349	97		2,715	15,040
LAND, at cost			194			54,959
STRUCTURES AND IMPROVEMENTS, at cost			11,043			1,304,516
MACHINERY AND EQUIPMENT, at cost	72		1,670			527,681
LESS ACCUMULATED DEPRECIATION	(61)		(3,066)			
CONSTRUCTION IN PROGRESS						125,605
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS						
RESTRICTED ASSETS:						
CASH AND CASH EQUIVALENTS			2,474		870	
INVESTMENTS		6,958			15,233	
TOTAL ASSETS AND OTHER DEBITS	\$ 2,388,599	\$ 128,557	\$ 14,242	\$ 779	\$ 437,479	\$ 2,584,441
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
ACCOUNTS PAYABLE AND ACCRUALS	\$ 78,047	\$ 2,155	\$ 980	\$ 12	\$ 3,161	\$ 98,841
DUE TO OTHER FUNDS(Note 2)						17,214
DUE TO PRIMARY GOVERNMENT(Note 2)	133		272		1	2,748
DUE TO COMPONENT UNITS(Note 2)						9,946
ADVANCE FROM PRIMARY GOVERNMENT(Note 2)		13,800	170			
ADVANCES FROM COMPONENT UNITS(Note 2)						182,885
COMMERCIAL PAPER PAYABLE (Note 3)					60,277	
NOTES PAYABLE(Note 3)	84,865	45,025				798
BONDS PAYABLE(Note 3)	1,850,495	54,559	4,730		359,225	872
LEASE OBLIGATIONS PAYABLE						8
DEFERRED REVENUE	857			34	6,788	45,939
ADVANCE FROM FEDERAL GOVERNMENT						
OTHER			137			108,263
TOTAL LIABILITIES	2,014,397	115,539	6,289	46	429,452	467,514
FUND EQUITY AND OTHER CREDITS(Note 2):						
CONTRIBUTED CAPITAL	2,500		9,164	1,000		1,826,209
INVESTMENT IN FIXED ASSETS						
RETAINED EARNINGS:						
RESERVED FOR BOND RETIREMENT	72,118					
RESERVED FOR LOCAL DEVELOPMENT LOANS		6,000				
RESERVED FOR HOUSING DEVELOPMENT LOANS	52,705					
RESERVED FOR FOUNDATION			78			
UNRESERVED	246,879	7,018	(1,289)	(267)	8,027	
FUND BALANCES(Note 2):						
RESERVED FOR:						
RELATED ASSETS						27,326
ENCUMBRANCES AND CONTRACTS						12,749
OTHER SPECIFIC PURPOSES						73,360
UNRESERVED:						
DESIGNATED FOR TRUST PURPOSES						9,173
DESIGNATED FOR COLLEGES AND UNIVERSITIES						168,110
UNDESIGNATED						
TOTAL FUND EQUITY AND OTHER CREDITS	374,202	13,018	7,953	733	8,027	2,116,927
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT:	\$ 2,388,599	\$ 128,557	\$ 14,242	\$ 779	\$ 437,479	\$ 2,584,441

LEGE AND
IVERSITY

UNIVERSITY OF TENNESSEE	TOTAL	
	JUNE 30, 2001	JUNE 30, 2000
\$ 388,747	\$ 1,191,831	\$ 838,219
915	1,533	1,037
473,184	1,063,979	1,252,789
195,190	1,964,134	1,907,176
	362,537	330,110
426	17,640	12,091
7,975	14,685	17,376
6	23,286	19,800
9,411	16,425	16,376
2,641	6,661	6,680
15,037	45,563	45,527
45,133	100,286	92,476
1,003,983	2,319,542	2,278,019
484,893	1,015,280	981,227
	(3,127)	(2,675)
87,843	213,448	120,153
	26,886	1,188
	3,344	1,663
	22,191	21,561
\$ <u>2,715,384</u>	\$ <u>8,406,124</u>	\$ <u>7,940,793</u>

\$ 172,279	\$ 363,368	\$ 323,060
426	17,640	12,091
2,467	7,850	7,694
13,333	23,286	19,800
	13,970	14,980
179,652	362,537	330,110
	60,277	102,700
31	154,423	78,170
	2,269,881	2,208,800
	61	409
42,765	96,479	93,174
	902	1,204
23,272	131,672	127,975
434,225	3,502,346	3,320,167
	12,664	12,664
1,428,949	3,256,122	3,108,052
	72,118	73,112
	6,000	6,000
	52,705	56,426
	78	80
	260,368	215,028
44,987	78,148	64,626
9,748	22,498	17,831
640,194	802,120	761,686
9,751	18,924	18,895
147,530	315,640	287,925
	6,393	(1,699)
2,281,159	4,903,778	4,620,626
\$ <u>2,715,384</u>	\$ <u>8,406,124</u>	\$ <u>7,940,793</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNITS
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	TENNESSEE STUDENT ASSISTANCE CORPORATION	NORTHEAST	EAST TENNESSEE	UPPER CUMBERLAND	SOUTHEAST
REVENUES:					
LICENSES, FINES, FEES, AND PERMITS					
INTEREST ON INVESTMENTS	\$ 4,192	\$ 47	\$ 52	\$ 20	\$ 32
FEDERAL	15,805			457	
DEPARTMENTAL SERVICES	869	386	636	327	510
OTHER	<u>365</u>			<u>105</u>	
TOTAL REVENUES	<u>21,231</u>	<u>433</u>	<u>688</u>	<u>909</u>	<u>542</u>
EXPENDITURES:					
EDUCATION	45,749				
HEALTH AND SOCIAL SERVICES		5,214	5,437	3,326	3,168
RECREATION AND RESOURCES DEVELOPMENT					
TOTAL EXPENDITURES	<u>45,749</u>	<u>5,214</u>	<u>5,437</u>	<u>3,326</u>	<u>3,168</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24,518)</u>	<u>(4,781)</u>	<u>(4,749)</u>	<u>(2,417)</u>	<u>(2,626)</u>
OTHER FINANCING SOURCES:					
OPERATING TRANSFERS FROM:					
PRIMARY GOVERNMENT	<u>31,737</u>	<u>4,852</u>	<u>5,044</u>	<u>2,592</u>	<u>2,907</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>31,737</u>	<u>4,852</u>	<u>5,044</u>	<u>2,592</u>	<u>2,907</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>7,219</u>	<u>71</u>	<u>295</u>	<u>175</u>	<u>281</u>
FUND BALANCE, JULY 1	87,140	634	932	217	514
PRIOR PERIOD ADJUSTMENT					
FUND BALANCE (Restated), JULY 1	<u>87,140</u>	<u>634</u>	<u>932</u>	<u>217</u>	<u>514</u>
FUND BALANCE, JUNE 30 (Note 2)	<u>\$ 94,359</u>	<u>\$ 705</u>	<u>\$ 1,227</u>	<u>\$ 392</u>	<u>\$ 795</u>

<u>MID- CUMBERLAND</u>	<u>SOUTH CENTRAL</u>	<u>NORTHWEST</u>	<u>SOUTHWEST</u>	<u>DAVIDSON COUNTY</u>	<u>KNOX COUNTY</u>	<u>SHELBY COUNTY</u>	<u>HAMILTON COUNTY</u>
\$ 37	\$ 28	\$ 57	\$ 56	\$ 43	\$ 22	\$ 26	\$ 28
460	287	229	323			955	101
<u>2</u>							<u>39</u>
<u>499</u>	<u>315</u>	<u>286</u>	<u>379</u>	<u>43</u>	<u>22</u>	<u>981</u>	<u>168</u>
5,081	2,053	3,430	5,248	3,530	2,796	6,261	2,126
<u>5,081</u>	<u>2,053</u>	<u>3,430</u>	<u>5,248</u>	<u>3,530</u>	<u>2,796</u>	<u>6,261</u>	<u>2,126</u>
<u>(4,582)</u>	<u>(1,738)</u>	<u>(3,144)</u>	<u>(4,869)</u>	<u>(3,487)</u>	<u>(2,774)</u>	<u>(5,280)</u>	<u>(1,958)</u>
<u>4,637</u>	<u>1,896</u>	<u>3,243</u>	<u>4,818</u>	<u>3,311</u>	<u>2,832</u>	<u>5,305</u>	<u>2,054</u>
<u>4,637</u>	<u>1,896</u>	<u>3,243</u>	<u>4,818</u>	<u>3,311</u>	<u>2,832</u>	<u>5,305</u>	<u>2,054</u>
<u>55</u>	<u>158</u>	<u>99</u>	<u>(51)</u>	<u>(176)</u>	<u>58</u>	<u>25</u>	<u>96</u>
188	233	474	754	181	151	880	192
<u>188</u>	<u>233</u>	<u>474</u>	<u>754</u>	<u>181</u>	<u>151</u>	<u>880</u>	<u>192</u>
\$ <u>243</u>	\$ <u>391</u>	\$ <u>573</u>	\$ <u>703</u>	\$ <u>5</u>	\$ <u>209</u>	\$ <u>905</u>	\$ <u>288</u>

(Continued on Next Page)

(Continued from Previous Page)

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNITS
ALL GOVERNMENTAL FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	CERTIFIED COTTON GROWERS	TOTALS FOR THE YEAR ENDED	
		JUNE 30, 2001	JUNE 30, 2000
REVENUES:			
LICENSES, FINES, FEES, AND PERMITS	\$ 8,724	\$ 8,724	\$ 2,667
INTEREST ON INVESTMENTS	71	4,711	4,067
FEDERAL		16,262	13,634
DEPARTMENTAL SERVICES		5,083	3,685
OTHER		511	140
TOTAL REVENUES	8,795	35,291	24,193
EXPENDITURES:			
EDUCATION		45,749	35,580
HEALTH AND SOCIAL SERVICES		47,670	40,959
RECREATION AND RESOURCES DEVELOPMENT	13,818	13,818	8,657
TOTAL EXPENDITURES	13,818	107,237	85,196
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,023)	(71,946)	(61,003)
OTHER FINANCING SOURCES:			
OPERATING TRANSFERS FROM : PRIMARY GOVERNMENT	4,500	79,728	62,354
TOTAL OTHER FINANCING SOURCES(USES)	4,500	79,728	62,354
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	(523)	7,782	1,351
FUND BALANCE, JULY 1	(7,007)	85,483	88,287
PRIOR PERIOD ADJUSTMENT	7,530	7,530	(4,155)
FUND BALANCE (Restated), JULY 1	523	93,013	84,132
FUND BALANCE, JUNE 30 (Note 2)	\$ -	\$ 100,795	\$ 85,483

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
COMPONENT UNITS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	VETERANS' HOMES BOARD	CHILD CARE FACILITIES
OPERATING REVENUES:				
CHARGES FOR SERVICES	\$ 108,862	\$ 5,948	\$ 10,959	
INVESTMENT INCOME	54,437	1,735		
OTHER	1,184		20	
TOTAL OPERATING REVENUES	164,483	7,683	10,979	
OPERATING EXPENSES:				
PERSONAL SERVICES	1,797			\$ 65
CONTRACTUAL SERVICES	742	151		
MORTGAGE SERVICE FEES	5,448			
MATERIALS AND SUPPLIES	157			
RENTALS AND INSURANCE	186		47	
INTEREST	107,466	5,755		
DEPRECIATION AND AMORTIZATION	856	25	484	
NURSING HOME SERVICES			10,230	
OTHER	628	888		25
TOTAL OPERATING EXPENSES	117,280	6,819	10,761	90
OPERATING INCOME(LOSS)	47,203	864	218	(90)
NONOPERATING REVENUES(EXPENSES)	(8,629)		(128)	46
INCOME BEFORE OPERATING TRANSFERS	38,574	864	90	(44)
OPERATING TRANSFERS: FROM PRIMARY GOVERNMENT		25		
INCOME BEFORE EXTRAORDINARY ITEMS	38,574	889	90	(44)
EXTRAORDINARY ITEMS(Note 3)	(183)			
NET INCOME/CHANGE IN RETAINED EARNINGS/ EQUITY	38,391	889	90	(44)
FUND EQUITY, JULY 1	335,811	12,129	7,863	777
PRIOR PERIOD ADJUSTMENT				
FUND EQUITY, JULY 1, as restated	335,811	12,129	7,863	777
FUND EQUITY, JUNE 30	\$ 374,202	\$ 13,018	\$ 7,953	\$ 733

STATE SCHOOL BOND AUTHORITY	TOTALS FOR THE YEAR ENDED	
	JUNE 30, 2001	JUNE 30, 2000
\$ 21,712	\$ 147,481	\$ 135,314
2,624	58,796	34,958
	1,204	974
<u>24,336</u>	<u>207,481</u>	<u>171,246</u>
	1,862	3,271
644	1,537	1,613
	5,448	5,073
	157	149
	233	338
20,605	133,826	125,000
135	1,500	587
	10,230	9,421
<u>1,655</u>	<u>3,196</u>	<u>3,341</u>
<u>23,039</u>	<u>157,989</u>	<u>148,793</u>
1,297	49,492	22,453
	<u>(8,711)</u>	<u>(13,157)</u>
1,297	40,781	9,296
	25	25
1,297	40,806	9,321
	<u>(183)</u>	<u>(1,256)</u>
<u>1,297</u>	<u>40,623</u>	<u>8,065</u>
6,730	363,310	355,666
		<u>(421)</u>
<u>6,730</u>	<u>363,310</u>	<u>355,245</u>
\$ <u>8,027</u>	\$ <u>403,933</u>	\$ <u>363,310</u>

STATE OF TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
ALL PROPRIETARY FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for fiscal year ended June 30, 2000)

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	VETERANS' HOMES BOARD	CHILD CARE FACILITIES
CASH FLOWS FROM OPERATING ACTIVITIES:				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 248,777		\$ 10,902	
OTHER MISCELLANEOUS RECEIPTS	1,186		69	
PAYMENTS TO SUPPLIERS	(2,670)	\$ (151)	(5,012)	\$ (20)
PAYMENTS TO EMPLOYEES	(1,672)		(5,687)	(70)
PAYMENTS FOR ACQUISITION OF MORTGAGE LOANS	(116,946)			
PAYMENTS TO SERVICE MORTGAGES	(5,448)			
PAYMENTS TO OTHER GOVERNMENTS	(547)	(32)		
OTHER MISCELLANEOUS PAYMENTS			(39)	
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	<u>122,680</u>	<u>(183)</u>	<u>233</u>	<u>(90)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
OPERATING GRANTS RECEIVED	63,809		27	55
OPERATING GRANTS PAID	(77,494)			(50)
NEGATIVE CASH BALANCE IMPLICITLY REPAID	(895)			
PROCEEDS FROM SALES OF BONDS AND NOTES	220,255	45,070		
PROCEEDS FROM SALES OF COMMERCIAL PAPER				
BOND ISSUANCE COST	(1,092)			
CALL PREMIUMS PAID				
PAYMENTS TO REFUNDING ESCROW				
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT		25		
SUBSIDY TO BORROWERS		(685)		
PRINCIPAL PAYMENTS	(194,467)	(42,335)		
INTEREST PAID	(102,560)	(6,089)		
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(92,444)</u>	<u>(4,014)</u>	<u>27</u>	<u>5</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
RELATED FINANCING ACTIVITIES:				
PURCHASE OF FIXED ASSETS			(170)	
PRINCIPAL PAYMENTS			(160)	
INTEREST PAID			(341)	
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			<u>(671)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
LOANS ISSUED		(14,355)		
COLLECTION OF LOAN PRINCIPAL		9,776		51
PURCHASE OF INVESTMENTS	(335,259)	(5,725)	(26)	
PROCEEDS FROM INVESTMENTS	509,209	5,669	26	
INTEREST RECEIVED	36,558	7,642	173	49
NET CASH FROM(USED FOR) INVESTING ACTIVITIES	<u>210,508</u>	<u>3,007</u>	<u>173</u>	<u>100</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>240,744</u>	<u>(1,190)</u>	<u>(238)</u>	<u>15</u>
CASH AND CASH EQUIVALENTS, JULY 1	<u>117,448</u>	<u>25,801</u>	<u>3,054</u>	<u>670</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 358,192</u>	<u>\$ 24,611</u>	<u>\$ 2,816</u>	<u>\$ 685</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ <u>47,203</u>	\$ <u>864</u>	\$ <u>218</u>	\$ <u>(90)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
DEPRECIATION AND AMORTIZATION	856	25	484	
LOSS ON DISPOSAL OF FIXED ASSETS				
INVESTMENT INCOME	(55,911)	(1,735)		
CHARGES FOR SERVICES		(5,948)		
INTEREST INCOME				
INTEREST EXPENSE	107,466	5,755		
SUBSIDY TO BORROWERS		856		
MISCELLANEOUS NONOPERATING LOSS			(5)	
CHANGES IN ASSETS AND LIABILITIES:				
(INCREASE)DECREASE IN ACCOUNTS RECEIVABLE	22,486		29	
(INCREASE)DECREASE IN DUE FROM COMPONENT UNITS				
(INCREASE)DECREASE IN INVENTORIES			(19)	
(INCREASE)DECREASE IN PREPAID EXPENSES			(82)	
(INCREASE)DECREASE IN DEFERRED CHARGES	(9)			
INCREASE(DECREASE) IN ACCOUNTS PAYABLE	259		200	
INCREASE(DECREASE) IN DUE TO PRIMARY GOVERNMENT	11		(627)	
INCREASE(DECREASE) IN DEFERRED REVENUE	319			
INCREASE(DECREASE) IN OTHER			35	
TOTAL ADJUSTMENTS	<u>75,477</u>	<u>(1,047)</u>	<u>15</u>	
NET CASH FROM(USED FOR) OPERATING ACTIVITIES	<u>\$ 122,680</u>	<u>\$ (183)</u>	<u>\$ 233</u>	<u>\$ (90)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
BOND ISSUANCE COST				
DEFEASANCE OF BONDS BY THIRD PARTY				
ACCRETION OF BONDS	\$ <u>5,353</u>			
TOTAL NONCASH CAPITAL AND FINANCING ACTIVITIES	<u>\$ 5,353</u>			

STATE SCHOOL BOND AUTHORITY	TOTALS	
	FOR THE YEAR ENDED	
	JUNE 30, 2001	JUNE 30, 2000
\$ 328	\$ 260,007	\$ 246,520
6,178	7,433	1,124
(618)	(8,471)	(8,252)
	(7,429)	(8,815)
	(116,946)	(420,922)
	(5,448)	(5,073)
	(579)	(1,641)
<u>(6,374)</u>	<u>(6,413)</u>	<u>(523)</u>
<u>(486)</u>	<u>122,154</u>	<u>(197,582)</u>
	63,891	40,472
	(77,544)	(52,095)
	(895)	(5,254)
104,118	369,443	595,730
45,050	45,050	37,050
(316)	(1,408)	(1,132)
		(65)
		(5,996)
	25	25
(1,690)	(2,375)	(1,924)
(105,534)	(342,336)	(514,208)
<u>(19,201)</u>	<u>(127,850)</u>	<u>(110,347)</u>
<u>22,427</u>	<u>(73,999)</u>	<u>(17,744)</u>
	(170)	(55)
	(160)	(155)
	<u>(341)</u>	<u>(355)</u>
	<u>(671)</u>	<u>(565)</u>
(61,388)	(75,743)	(62,832)
19,606	29,433	123,202
(68,692)	(409,702)	(321,042)
69,195	584,099	264,767
<u>21,039</u>	<u>65,461</u>	<u>62,406</u>
<u>(20,240)</u>	<u>193,548</u>	<u>66,501</u>
1,701	241,032	(149,390)
<u>26,725</u>	<u>173,698</u>	<u>323,088</u>
\$ <u>28,426</u>	\$ <u>414,730</u>	\$ <u>173,698</u>
\$ <u>1,297</u>	\$ <u>49,492</u>	\$ <u>22,453</u>
135	1,500	1,568
(2,624)	(60,270)	3
	(5,948)	(37,266)
(21,466)	(21,466)	(4,968)
20,605	133,826	(17,953)
1,655	2,511	125,000
	(5)	1,924
	22,515	(284,613)
82	82	96
	(19)	6
	(82)	8
	(9)	107
25	484	(3,509)
1	(615)	(106)
(196)	123	(355)
	35	23
<u>(1,783)</u>	<u>72,662</u>	<u>(220,035)</u>
\$ <u>(486)</u>	\$ <u>122,154</u>	\$ <u>(197,582)</u>
\$ 776	\$ 776	\$ 2,392
<u>1,329</u>	<u>6,682</u>	<u>52,850</u>
<u>2,105</u>	<u>7,458</u>	<u>7,228</u>
\$ <u>2,105</u>	\$ <u>7,458</u>	\$ <u>62,470</u>

STATE OF TENNESSEE
COMBINING BALANCE SHEET
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

	CURRENT FUNDS				LOAN FUNDS	
	UNRESTRICTED		RESTRICTED			
	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE
<u>ASSETS</u>						
CASH AND CASH EQUIVALENTS	\$ 126,645	\$ 177,717	\$ 16,037	\$ 44,565	\$ 3,661	\$ 5,048
CASH ON DEPOSIT WITH FISCAL AGENT				642		
INVESTMENTS	26,626	125		339		
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of \$17,418 in 2001 and \$17,779 in 2000 (Note 2)	28,492	50,365	37,775	105,268		973
NOTES RECEIVABLE, net of allowance for uncollectibles of \$9,012 in 2001 and \$9,209 in 2000 (Note 2)		1,374			22,679	35,772
DUE FROM OTHER FUNDS (Note 2)	11,074	426				
DUE FROM PRIMARY GOVERNMENT (Note 2)			980	1,066		
DUE FROM COMPONENT UNITS (Note 2)	1	6				
INVENTORIES, at cost	6,953	9,411				
PREPAYMENTS	3,834	2,641	52			
LAND, at cost						
STRUCTURES AND IMPROVEMENTS, at cost						
MACHINERY AND EQUIPMENT, at cost						
CONSTRUCTION IN PROGRESS						
OTHER ASSETS	34					
TOTAL ASSETS	\$ 203,659	\$ 242,065	\$ 54,844	\$ 151,880	\$ 26,340	\$ 41,793
<u>LIABILITIES AND FUND EQUITY</u>						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 11,415	\$ 89,691	\$ 4,869	\$ 5,793	\$ 181	\$ 15
ACCRUED LIABILITIES	76,104	65,043	3,064	6,776		
DUE TO OTHER FUNDS (Note 2)	56		11,110			
DUE TO PRIMARY GOVERNMENT (Note 2)	2,404	1,705		762		
DUE TO COMPONENT UNITS (Note 2)	99	113				
ADVANCES FROM COMPONENT UNITS (Note 2)						
NOTES PAYABLE (Note 3)						
BONDS PAYABLE (Note 3)						
LEASE OBLIGATIONS PAYABLE						
DEFERRED REVENUE	42,050	27,265	3,889			
AMOUNTS HELD IN CUSTODY FOR OTHERS						
DEPOSITS PAYABLE	2,472	3,513				
OTHER	1,568		24			
TOTAL LIABILITIES	136,168	187,330	22,956	13,331	181	15
FUND EQUITY:						
NET INVESTMENT IN PLANT						
FUND BALANCES (Note 2):						
RESERVED FOR:						
RELATED ASSETS	27,326	44,987				
ENCUMBRANCES	12,749	9,748				
U.S. GOVERNMENT GRANTS REFUNDABLE					18,378	\$ 33,764
INSTITUTIONAL LOAN FUNDS					7,483	8,014
ENDOWMENT						
TERM ENDOWMENT						
QUASI-ENDOWMENT						
LIFE INCOME						
PLANT						
OTHER			31,888	138,549		
UNRESERVED:						
DESIGNATED:						
INSTITUTIONAL LOAN FUNDS					298	
QUASI-ENDOWMENT						
OTHER	27,416					
TOTAL FUND EQUITY	67,491	54,735	31,888	138,549	26,159	41,778
TOTAL LIABILITIES AND FUND EQUITY	\$ 203,659	\$ 242,065	\$ 54,844	\$ 151,880	\$ 26,340	\$ 41,793

(Continued on Next Page)

ENDOWMENT AND SIMILAR FUNDS		ANNUITY AND LIFE INCOME FUNDS UNIVERSITY OF TENNESSEE	PLANT FUNDS						
			UNEXPENDED		RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		INVESTMENT IN PLANT	
BOARD OF REGENTS	UNIVERSITY OF TENNESSEE		BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	BOARD OF REGENTS	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE
\$ 7,492	\$ 8,487	\$ 378	\$ 41,625	\$ 25,470	\$ 76,843	\$ 8,932	\$ 122,290		
10,735	414,286	53,881	8,548	159	4,644	597	273		
53	409	405	1,079		21	12,023	9		
			6,015	6,909	125				
								\$ 54,959	\$ 45,133
								1,304,516	1,003,983
								527,681	484,893
								125,605	87,843
								2,950	
\$ 18,280	\$ 423,182	\$ 54,664	\$ 59,229	\$ 47,575	\$ 81,986	\$ 21,564	\$ 122,572	\$ 2,015,711	\$ 1,621,852
	\$ 597	\$ 1	\$ 820	\$ 4,217	\$ 489			\$ 593	
						\$ 538		4	
\$ 11		426	28			6,000			
								344	
								8,375	\$ 13,220
								176,471	179,652
								324	31
								872	
								8	
				15,500					
		10,104			5	102		2,511	
11	597	10,531	2,248	19,717	494	13,126		189,502	192,903
								1,826,209	1,428,949
8,357	393,524								
5									
1,032	19,310	44,133	5,100	2,395		1,117	\$ 505		
8,875	9,751		51,881	25,463	81,492	7,321	122,067		
18,269	422,585	44,133	56,981	27,858	81,492	8,438	122,572	1,826,209	1,428,949
\$ 18,280	\$ 423,182	\$ 54,664	\$ 59,229	\$ 47,575	\$ 81,986	\$ 21,564	\$ 122,572	\$ 2,015,711	\$ 1,621,852

(Continued from Previous Page)

STATE OF TENNESSEE
COMBINING BALANCE SHEET
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY FUNDS (continued)
JUNE 30, 2001
(With comparative totals for June 30, 2000)

(Expressed in Thousands)

ASSETS	AGENCY FUNDS		SUB-TOTAL		TOTALS	
	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	JUNE 30, 2001	JUNE 30, 2000
CASH AND CASH EQUIVALENTS	\$ 34,370	\$ 4,792	\$ 315,605	\$ 388,747	\$ 704,352	\$ 590,072
CASH ON DEPOSIT WITH FISCAL AGENT			597	915	1,512	1,007
INVESTMENTS	56,551	4,394	107,104	473,184	580,288	616,628
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of \$17,418 in 2001 and \$17,779 in 2000 (Note 2)	2,178	615	81,621	158,044	239,665	173,964
NOTES RECEIVABLE, net of allowance for uncollectibles of \$9,012 in 2001 and \$9,209 in 2000 (Note 2)			22,679	37,146	59,825	57,260
DUE FROM OTHER FUNDS (Note 2)			17,214	426	17,640	12,091
DUE FROM PRIMARY GOVERNMENT (Note 2)			980	7,975	8,955	13,250
DUE FROM COMPONENT UNITS (Note 2)			1	6	7	
INVENTORIES, at cost			6,953	9,411	16,364	16,334
PREPAYMENTS			3,886	2,641	6,527	6,629
LAND, at cost			54,959	45,133	100,092	92,282
STRUCTURES AND IMPROVEMENTS, at cost			1,304,516	1,003,983	2,308,499	2,267,134
MACHINERY AND EQUIPMENT, at cost			527,681	484,893	1,012,574	978,628
CONSTRUCTION IN PROGRESS			125,605	87,843	213,448	120,153
OTHER ASSETS	9,729		15,040	15,037	30,077	29,801
TOTAL ASSETS	\$ 102,828	\$ 9,801	\$ 2,584,441	\$ 2,715,384	\$ 5,299,825	\$ 4,975,233
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 764	\$ 146	\$ 19,131	\$ 100,460	\$ 119,591	\$ 77,714
ACCRUED LIABILITIES			79,710	71,819	151,529	150,170
DUE TO OTHER FUNDS (Note 2)	9		17,214	426	17,640	12,091
DUE TO PRIMARY GOVERNMENT (Note 2)			2,748	2,467	5,215	4,925
DUE TO COMPONENT UNITS (Note 2)			9,946	13,333	23,279	19,799
ADVANCES FROM COMPONENT UNITS (Note 2)			182,885	179,652	362,537	330,110
NOTES PAYABLE (Note 3)	474		798	31	829	1,829
BONDS PAYABLE (Note 3)			872		872	1,175
LEASE OBLIGATIONS PAYABLE			8		8	402
DEFERRED REVENUE			45,939	42,765	88,704	78,192
AMOUNTS HELD IN CUSTODY FOR OTHERS	99,392	9,655	99,392	9,655	109,047	103,661
DEPOSITS PAYABLE			2,472	3,513	5,985	7,093
OTHER	2,189		6,399	10,104	16,503	17,119
TOTAL LIABILITIES	102,828	9,801	467,514	434,225	901,739	804,280
FUND EQUITY:						
NET INVESTMENT IN PLANT			1,826,209	1,428,949	3,255,158	3,107,172
FUND BALANCES (Note 2):						
RESERVED FOR:						
RELATED ASSETS			27,326	44,987	72,313	58,709
ENCUMBRANCES			12,749	9,748	22,497	17,831
U.S. GOVERNMENT GRANTS REFUNDABLE			18,378	33,764	52,142	50,391
INSTITUTIONAL LOAN FUNDS			7,483	8,014	15,497	14,843
ENDOWMENT			8,357	393,524	401,881	420,604
TERM ENDOWMENT			5		5	41
QUASI-ENDOWMENT			1,032	19,310	20,342	18,976
LIFE INCOME				44,133	44,133	44,622
PLANT			6,217	2,900	9,117	5,894
OTHER			31,888	138,549	170,437	125,050
UNRESERVED:						
DESIGNATED:						
INSTITUTIONAL LOAN FUNDS			298		298	256
QUASI-ENDOWMENT			8,875	9,751	18,626	18,639
OTHER			168,110	147,530	315,640	287,925
TOTAL FUND EQUITY			2,116,927	2,281,159	4,398,086	4,170,953
TOTAL LIABILITIES AND EQUITY	\$ 102,828	\$ 9,801	\$ 2,584,441	\$ 2,715,384	\$ 5,299,825	\$ 4,975,233

STATE OF TENNESSEE
COMBINING STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	UNRESTRICTED			RESTRICTED	
	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE
REVENUES:					
EDUCATIONAL AND GENERAL:					
TUITION AND FEES	\$ 343,879	\$ 192,048	\$ 535,927	\$ 986	
FEDERAL APPROPRIATIONS		13,513	13,513		
LOCAL APPROPRIATIONS		3,824	3,824		
FEDERAL GRANTS AND CONTRACTS	8,027	38,388	46,415	190,971	\$ 129,994
STATE GRANTS AND CONTRACTS		5,486	5,486	29,025	19,846
LOCAL GRANTS AND CONTRACTS	3,720	1,734	5,454	3,556	4,810
PRIVATE GIFTS, GRANTS AND CONTRACTS	11,196	5,386	16,582	39,086	106,907
ENDOWMENT INCOME	206	74	280	3,925	25,105
SALES AND SERVICE OF EDUCATIONAL ACTIVITIES	40,102	37,292	77,394		
SALES AND SERVICE OF AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS	78,834	180,258	259,092	1	100,450
OTHER SOURCES	24,943	39,613	64,556	519	
TOTAL REVENUES	510,907	517,616	1,028,523	268,069	387,112
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	525,553	327,044	852,597	66,531	51,327
RESEARCH	16,295	46,850	63,145	43,846	108,968
PUBLIC SERVICE	14,637	53,351	67,988	44,846	63,889
ACADEMIC SUPPORT	80,874	80,063	160,937	6,303	8,875
STUDENT SERVICES	125,012	45,278	170,290	8,259	1,894
INSTITUTIONAL SUPPORT	115,787	57,792	173,579	6,788	764
OPERATION AND MAINTENANCE OF PLANT	98,326	65,650	163,976	339	52
SCHOLARSHIPS AND FELLOWSHIPS	21,702	27,017	48,719	101,765	32,641
EDUCATIONAL AND GENERAL EXPENDITURES	998,186	703,045	1,701,231	278,677	268,410
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	6,857	4,336	11,193		
LOAN FUND MATCHING GRANT	146	39	185		
NON-MANDATORY TRANSFERS FOR:					
UNEXPENDED PLANT	3,533	4,424	7,957		
RENEWALS AND REPLACEMENTS	1,618		1,618		
RETIREMENT OF INDEBTEDNESS	5,497	17,763	23,260		
RESTRICTED CURRENT FUNDS	(222)	570	348		
AUXILIARY ENTERPRISES AND HOSPITALS	(532)	(4,592)	(5,124)		
ENDOWMENT AND SIMILAR FUNDS	(45)	(1,250)	(1,295)		
PRIMARY GOVERNMENT	(581,925)	(401,863)	(983,788)	(10,284)	(16,870)
TOTAL EDUCATIONAL AND GENERAL	433,113	322,472	755,585	268,393	251,540
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS:					
EXPENDITURES	59,438	155,298	214,736	234	99,090
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	8,384	13,861	22,245		
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	7,598		7,598		
RESTRICTED CURRENT FUNDS		20	20		
UNEXPENDED PLANT	956	1,598	2,554		
EDUCATIONAL AND GENERAL	532	4,592	5,124		
RETIREMENT OF INDEBTEDNESS		6,186	6,186		
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES AND TRANSFERS	76,908	181,555	258,463	234	99,090
TOTAL CURRENT EXPENDITURES AND TRANSFERS	510,021	504,027	1,014,048	268,627	350,630
OTHER TRANSFERS AND ADDITIONS(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER					
TRANSFERS TO REVENUES				18,019	24,192
INDIRECT COST RECOVERIES				(9,390)	(25,468)
TRANSFERS FROM (TO) OTHER FUNDS				(70)	7,069
REFUNDED TO GRANTORS				(1,199)	
DISPOSITION OF HOSPITAL NET OPERATING ASSETS					
OTHER ADDITIONS(DEDUCTIONS)	(3)		(3)	(473)	(495)
NET INCREASE(DECREASE) IN FUND BALANCES	\$ 883	\$ 13,589	\$ 14,472	\$ 6,329	\$ 41,780

RESTRICTED			
TOTAL	TOTALS FOR THE YEAR ENDED		
	JUNE 30, 2001	JUNE 30, 2000	
\$ 986	\$ 536,913	\$ 497,229	
	13,513	13,534	
	3,824	3,758	
320,965	367,380	321,987	
48,871	54,357	39,220	
8,366	13,820	16,509	
145,993	162,575	134,400	
29,030	29,310	21,655	
	77,394	72,147	
100,451	359,543	367,840	
519	65,075	71,158	
655,181	1,683,704	1,559,437	
117,858	970,455	889,053	
152,814	215,959	197,816	
108,735	176,723	179,154	
15,178	176,115	166,037	
10,153	180,443	167,432	
7,552	181,131	174,144	
391	164,367	144,274	
134,406	183,125	166,779	
547,087	2,248,318	2,084,689	
	11,193	10,729	
	185	227	
	7,957	11,846	
	1,618	1,454	
	23,260	24,411	
	348	120	
	(5,124)	(4,654)	
	(1,295)	325	
(27,154)	(1,010,942)	(959,155)	
519,933	1,275,518	1,169,992	
99,324	314,060	322,644	
	22,245	18,976	
	7,598	8,353	
	20	20	
	2,554	4,493	
	5,124	4,654	
	6,186	6,537	
99,324	357,787	365,677	
619,257	1,633,305	1,535,669	
42,211	42,211	47,592	
(34,858)	(34,858)	(32,825)	
6,999	6,999	5,620	
(1,199)	(1,199)	(565)	
		(59,610)	
(968)	(971)	(1,192)	
\$ 48,109	\$ 62,581	\$ (17,212)	

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	CURRENT FUNDS					
	UNRESTRICTED			RESTRICTED		
	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL
REVENUES AND OTHER ADDITIONS:						
EDUCATIONAL AND GENERAL REVENUES	\$ 432,073	\$ 337,358	\$ 769,431	\$ 7,100		\$ 7,100
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS	78,834	180,258	259,092	1	\$ 100,450	100,451
GRANTS AND CONTRACTS-RESTRICTED				217,945	257,324	475,269
GIFTS AND BEQUEST-RESTRICTED				56,597	42,908	99,505
ADVANCES FROM OTHER COMPONENT UNITS						
INTEREST INCOME-RESTRICTED						
INVESTMENT INCOME-RESTRICTED				247	237	484
ENDOWMENT INCOME				3,896	10,385	14,281
BONDS AND NOTES RETIRED						
EQUIPMENT USE CHARGES						
STUDENT DEBT SERVICE FEES						
EXPENDED FOR PLANT FACILITIES						
OTHER				302		302
TOTAL REVENUES AND OTHER ADDITIONS	510,907	517,616	1,028,523	286,088	411,304	697,392
EXPENDITURES AND OTHER DEDUCTIONS:						
EDUCATIONAL AND GENERAL EXPENDITURES	998,186	703,045	1,701,231	278,677	268,410	547,087
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS EXPENDITURES	59,438	155,298	214,736	234	99,090	99,324
INDIRECT COST RECOVERED				9,390	25,468	34,858
REFUNDED TO GRANTORS				1,199		1,199
LOAN CANCELLATIONS AND WRITE-OFFS						
ADMINISTRATIVE AND COLLECTION COST						
EXPENDED FOR PLANT FACILITIES						
EXPENDED FOR NON CAPITAL ITEMS						
RETIREMENT OF INDEBTEDNESS						
INTEREST ON INDEBTEDNESS						
DISPOSAL OF PLANT FACILITIES						
LOSS ON INVESTMENTS						
BONDS AND NOTES ISSUED						
DISPOSITION OF HOSPITAL NET OPERATING ASSETS						
OTHER	3		3	473	495	968
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,057,627	858,343	1,915,970	289,973	393,463	683,436
TRANSFERS AMONG FUNDS ADDITIONS(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(15,241)	(18,197)	(33,438)			
LOAN FUND MATCHING GRANT	(146)	(39)	(185)		16	16
ENDOWMENT AND SIMILAR FUNDS						
NON-MANDATORY:						
UNRESTRICTED CURRENT FUNDS	6,010	1,250	7,260	(222)		(222)
RESTRICTED CURRENT FUNDS		(590)	(590)	152	7,053	7,205
UNEXPENDED PLANT	(5,949)	(6,022)	(11,971)			
RENEWALS AND REPLACEMENTS	(13,499)		(13,499)			
RETIREMENT OF INDEBTEDNESS	(5,497)	(23,949)	(29,446)			
PRIMARY GOVERNMENT	581,925	401,863	983,788	10,284	16,870	27,154
TOTAL TRANSFERS AMONG FUNDS	547,603	354,316	901,919	10,214	23,939	34,153
NET INCREASE(DECREASE) FOR THE YEAR	883	13,589	14,472	6,329	41,780	48,109
FUND BALANCE, JULY 1	66,608	41,146	107,754	28,281	96,769	125,050
PRIOR PERIOD ADJUSTMENTS						
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				(2,722)		(2,722)
FUND BALANCE(Restated), JULY 1	66,608	41,146	107,754	25,559	96,769	122,328
FUND BALANCE, JUNE 30	\$ 67,491	\$ 54,735	\$ 122,226	\$ 31,888	\$ 138,549	\$ 170,437

(Continued on Next Page)

LOAN FUNDS			ENDOWMENT AND SIMILAR FUNDS			ANNUITY AND LIFE INCOME FUNDS UNIVERSITY OF TENNESSEE	PLANT FUNDS		
BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL		BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL
\$ 478 88	\$ 652 38	\$ 1,130 126	\$ 93	\$ 16,670	\$ 16,763	\$ 2,403	\$ 356 6,092 35,670	\$ 5,939 22,993	\$ 356 12,031 58,663
945 171 74	839 200 137	1,784 371 211	227	603	227 603		2,307	1,324	3,631
642		642	140		140	1,349	2,772		2,772
2,398	1,866	4,264	460	17,273	17,733	3,752	47,197	30,256	77,453
124 509 382	377 25	124 886 407					68,165 21,783	63,703 4,794	131,868 26,577
				27,868	27,868	1,137			
485	79	564	112		112	10	407		407
1,500	481	1,981	112	27,868	27,980	1,147	90,355	68,497	158,852
146	23	169		3,039	3,039	(3,039)			
(1) (4)		(1) (4)	(45) (135)	(1,250) (8,018) (750)	(1,295) (8,153) (750)	(55)	(1,460) (13) 8,719 (962) (120) 42,466	1,608 15,090	(1,460) 1,595 23,809 (962) (120) 66,369
141	23	164	(180)	(6,979)	(7,159)	(3,094)	48,630	40,601	89,231
1,039	1,408	2,447	168	(17,574)	(17,406)	(489)	5,472	2,360	7,832
25,120	40,370	65,490	18,101	440,159	458,260	44,622	51,509	25,498	77,007
25,120	40,370	65,490	18,101	440,159	458,260	44,622	51,509	25,498	77,007
\$ 26,159	\$ 41,778	\$ 67,937	\$ 18,269	\$ 422,585	\$ 440,854	\$ 44,133	\$ 56,981	\$ 27,858	\$ 84,839

(Continued from Previous Page)

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS
ALL COLLEGE AND UNIVERSITY FUNDS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(With comparative totals for the fiscal year ended June 30, 2000)

(Expressed in Thousands)

	RENEWALS AND REPLACEMENTS		PLANT FUNDS	
	BOARD OF REGENTS	BOARD OF REGENTS	RETIREMENT OF INDEBTEDNESS UNIVERSITY OF TENNESSEE	TOTAL
REVENUES AND OTHER ADDITIONS:				
EDUCATIONAL AND GENERAL REVENUES				
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS				
GRANTS AND CONTRACTS-RESTRICTED	\$	215	\$	421
GIFTS AND BEQUEST-RESTRICTED		12,009		12,009
ADVANCES FROM OTHER COMPONENT UNITS				
INTEREST INCOME-RESTRICTED				
INVESTMENT INCOME-RESTRICTED	\$	2,850	1,168	2,859
ENDOWMENT INCOME				4,027
BONDS AND NOTES RETIRED				
EQUIPMENT USE CHARGES	6,775			
STUDENT DEBT SERVICE FEES			3,649	3,649
EXPENDED FOR PLANT FACILITIES				
OTHER	147	755		755
TOTAL REVENUES AND OTHER ADDITIONS	9,772	14,147	6,714	20,861
EXPENDITURES AND OTHER DEDUCTIONS:				
EDUCATIONAL AND GENERAL EXPENDITURES				
AUXILIARY ENTERPRISES, HOSPITALS AND INDEPENDENT OPERATIONS EXPENDITURES				
INDIRECT COST RECOVERED				
REFUNDED TO GRANTORS				
LOAN CANCELLATIONS AND WRITE-OFFS				
ADMINISTRATIVE AND COLLECTION COST		230		230
EXPENDED FOR PLANT FACILITIES	5,862			
EXPENDED FOR NON CAPITAL ITEMS	8,128			
RETIREMENT OF INDEBTEDNESS		7,797	11,492	19,289
INTEREST ON INDEBTEDNESS		10,687	10,073	20,760
DISPOSAL OF PLANT FACILITIES				
PAYMENTS TO BENEFICIARIES				
BONDS AND NOTES ISSUED		11,597		11,597
DISPOSITION OF HOSPITAL NET OPERATING ASSETS				
OTHER				
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	13,990	30,311	21,565	51,876
TRANSFERS AMONG FUNDS ADDITIONS(DEDUCTIONS):				
MANDATORY:				
PRINCIPAL AND INTEREST	(145)	15,386	18,197	33,583
LOAN FUND MATCHING GRANT				
ENDOWMENT AND SIMILAR FUNDS				
NON-MANDATORY:				
UNRESTRICTED CURRENT FUNDS	(4,282)			
RESTRICTED CURRENT FUNDS			2	2
UNEXPENDED PLANT	(2,181)	(589)	(8,318)	(8,907)
RENEWALS AND REPLACEMENTS	17,318	(2,857)		(2,857)
RETIREMENT OF INDEBTEDNESS	(434)	6,051	23,949	30,000
PRIMARY GOVERNMENT		40		40
TOTAL TRANSFERS AMONG FUNDS	10,276	18,031	33,830	51,861
NET INCREASE(DECREASE) FOR THE YEAR	6,058	1,867	18,979	20,846
FUND BALANCE, JULY 1	75,434	6,571	103,593	110,164
PRIOR PERIOD ADJUSTMENTS				
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				
FUND BALANCE(Restated), JULY 1	75,434	6,571	103,593	110,164
FUND BALANCE, JUNE 30	\$ 81,492	\$ 8,438	\$ 122,572	\$ 131,010

PLANT FUNDS			SUB-TOTAL		TOTALS	
INVESTMENT IN PLANT					FOR THE YEAR ENDED	
BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	TOTAL	BOARD OF REGENTS	UNIVERSITY OF TENNESSEE	JUNE 30, 2001	JUNE 30, 2000
			\$ 439,173	\$ 337,358	\$ 776,531	\$ 706,789
			78,835	280,708	359,543	367,634
			218,994	258,182	477,176	222,671
\$ 1,060	\$ 204	\$ 1,264	75,939	68,162	144,101	371,860
			35,670	22,993	58,663	43,648
			945	839	1,784	1,855
			6,970	4,620	11,590	51,835
			3,970	11,125	15,095	13,926
10,751	11,492	22,243	10,751	11,492	22,243	193,784
			6,775		6,775	6,284
				3,649	3,649	3,544
96,455	95,095	191,550	96,455	95,095	191,550	191,055
1,290	387	1,677	6,048	1,736	7,784	9,657
109,556	107,178	216,734	980,525	1,095,959	2,076,484	2,184,542
			1,276,863	971,455	2,248,318	2,084,689
			59,672	254,388	314,060	322,644
			9,390	25,468	34,858	32,825
			1,323		1,323	733
			509	377	886	714
			612	25	637	630
			74,027	63,703	137,730	158,658
			29,911	4,794	34,705	46,928
			7,797	11,492	19,289	18,588
			10,687	10,073	20,760	27,493
14,688	19,414	34,102	14,688	19,414	34,102	23,397
26,789	23,558	50,347	38,386	23,558	61,944	50,877
						437,333
503		503	1,983	584	2,567	24,988
41,980	42,972	84,952	1,525,848	1,414,336	2,940,184	3,230,497
10		10	634,725	442,636	1,077,361	1,050,554
10		10	634,725	442,636	1,077,361	1,050,554
67,586	64,206	131,792	89,402	124,259	213,661	4,599
1,742,429	1,364,743	3,107,172	2,014,053	2,156,900	4,170,953	4,484,100
16,194		16,194	16,194		16,194	
			(2,722)		(2,722)	(317,746)
1,758,623	1,364,743	3,123,366	2,027,525	2,156,900	4,184,425	4,166,354
\$ 1,826,209	\$ 1,428,949	\$ 3,255,158	\$ 2,116,927	\$ 2,281,159	\$ 4,398,086	\$ 4,170,953

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 2001

SCHEDULE 1

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT (Note 1)			FACILITIES REVOLVING FUND DEBT (Note 2)		
	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS
2002	\$ 72,186	\$ 43,312	\$ 115,498	\$ 3,309	\$ 819	\$ 4,128	\$ 12,312	\$ 10,137	\$ 22,449
2003	67,354	39,636	106,990	2,874	655	3,529	11,739	9,490	21,229
2004	67,021	36,266	103,287	3,019	513	3,532	11,747	8,839	20,586
2005	66,811	34,757	101,568	2,859	363	3,222	11,752	6,240	17,992
2006	66,658	31,705	98,363	1,674	222	1,896	11,745	5,078	16,823
2007	57,997	28,266	86,263	864	140	1,004	10,367	4,486	14,853
2008	52,573	25,434	78,007	899	101	1,000	10,110	3,982	14,092
2009	52,126	22,920	75,046	929	60	989	10,087	3,496	13,583
2010	50,530	20,462	70,992	959	27	986	9,034	3,028	12,062
2011	50,336	17,993	68,329				9,002	2,596	11,598
2012	46,580	15,487	62,067				8,963	2,156	11,119
2013	46,799	13,138	59,937				8,935	1,716	10,651
2014	40,682	10,763	51,445				8,871	1,274	10,145
2015	36,155	8,702	44,857				5,283	858	6,141
2016	31,979	6,864	38,843				4,281	701	4,982
2017	27,511	5,246	32,757				3,179	486	3,665
2018	20,078	3,843	23,921				2,467	322	2,789
2019	11,339	2,801	14,140				1,986	195	2,181
2020	7,739	2,184	9,923				1,883	94	1,977
2021	2,245	1,748	3,993						
2022	2,390	1,606	3,996						
2023	2,540	1,454	3,994						
2024	2,705	1,292	3,997						
2025	2,875	1,120	3,995						
2026	3,060	936	3,996						
2027	3,255	740	3,995						
2028	3,465	532	3,997						
2029	3,720	275	3,995						
TOTALS	\$ 898,709	\$ 379,482	\$ 1,278,191	\$ 17,386	\$ 2,900	\$ 20,286	\$ 153,743	\$ 65,174	\$ 218,917

Note 1: Tennessee State Loan Program principal is more than that presented in the accompanying financial statements by \$173 thousand, which is a deduction from bonds payable for the deferred amount on refunding.

Note 2: Facilities Revolving Fund principal is more than that presented in the accompanying financial statements by \$2.996 million, which is a deduction from bonds payable for the deferred amount on refunding.

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 2001

SCHEDULE 2

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		
	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	FACILITIES REVOLVING FUND DEBT
2002	\$ 115,498	\$ 4,128	\$ 22,449
2003	106,990	3,529	21,229
2004	103,287	3,532	20,586
2005	101,568	3,222	17,992
2006	98,363	1,896	16,823
2007	86,263	1,004	14,853
2008	78,007	1,000	14,092
2009	75,046	989	13,583
2010	70,992	986	12,062
2011	68,329		11,598
2012	62,067		11,119
2013	59,937		10,651
2014	51,445		10,145
2015	44,857		6,141
2016	38,843		4,982
2017	32,757		3,665
2018	23,921		2,789
2019	14,140		2,181
2020	9,923		1,977
2021	3,993		
2022	3,996		
2023	3,994		
2024	3,997		
2025	3,995		
2026	3,996		
2027	3,995		
2028	3,997		
2029	3,995		
TOTALS	\$ <u>1,278,191</u>	\$ <u>20,286</u>	\$ <u>218,917</u>

STATE OF TENNESSEE
SCHEDULE OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

SCHEDULE 3

(Expressed in Thousands)

	JUNE 30				
	1997	1998	1999	2000	2001
ENTERPRISE FUNDS:					
STATE LOAN PROGRAM BONDS	\$ 29,494	\$ 26,605	\$ 23,551	\$ 20,347	\$ 17,213
INTERNAL SERVICE FUNDS:					
GENERAL LONG-TERM OBLIGATIONS BOND ANTICIPATION NOTES	35,215	46,250	31,772		
GENERAL LONG-TERM OBLIGATIONS COMMERCIAL PAPER				38,754	9,485
FACILITIES REVOLVING FUND BONDS	143,297	139,384	135,281	125,448	150,747
	178,512	185,634	167,053	164,202	160,232
GENERAL LONG-TERM DEBT:					
GENERAL LONG-TERM OBLIGATIONS BONDS	767,098	826,820	927,569	858,273	898,709
GENERAL LONG-TERM OBLIGATIONS BOND ANTICIPATION NOTES	114,885	92,850	145,528		
GENERAL LONG-TERM OBLIGATIONS COMMERCIAL PAPER				209,746	240,515
	881,983	919,670	1,073,097	1,068,019	1,139,224
TOTALS FOR PRIMARY GOVERNMENT	\$ 1,089,989	\$ 1,131,909	\$ 1,263,701	\$ 1,252,568	\$ 1,316,669

STATE OF TENNESSEE
SCHEDULE OF GENERAL OBLIGATION
COMMERCIAL PAPER OUTSTANDING-BY PURPOSE
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

SCHEDULE 4

(Expressed in Thousands)

GENERAL OBLIGATION COMMERCIAL PAPER-TAX EXEMPT	\$	219,700
PURPOSE: TO FINANCE THE CONSTRUCTION, IMPROVEMENTS, REPAIRS, AND REPLACEMENTS TO BUILDINGS AND FACILITIES AND THE ACQUISITION OF LAND, EQUIPMENT AND OTHER PROPERTY OF THE STATE.		
 GENERAL OBLIGATION COMMERCIAL PAPER-TAXABLE		
PURPOSE: TO FINANCE IMPROVEMENTS TO VARIOUS STATE PARKS AND TO FINANCE MENTAL HEALTH AND MENTAL RETARDATION FACILITIES		<u>30,300</u>
 TOTAL OUTSTANDING	\$	<u>250,000</u>

STATE OF TENNESSEE
COMPONENT UNITS
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 2001

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT(Note 1)			LOCAL DEVELOPMENT AUTHORITY DEBT (Note 2)		
	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS
2002	\$ 43,030	\$ 102,113	\$ 145,143	\$ 3,974	\$ 2,985	\$ 6,959
2003	44,772	102,372	147,144	4,174	2,784	6,958
2004	46,199	100,430	146,629	4,064	2,571	6,635
2005	51,952	99,784	151,736	4,204	2,358	6,562
2006	57,481	99,204	156,685	3,494	2,138	5,632
2007	59,881	97,057	156,938	3,213	1,956	5,169
2008	61,625	94,667	156,292	3,384	1,786	5,170
2009	55,180	88,139	143,319	3,569	1,605	5,174
2010	50,324	82,591	132,915	3,759	1,414	5,173
2011	52,770	79,782	132,552	3,858	1,209	5,067
2012	57,917	76,704	134,621	3,445	998	4,443
2013	64,429	78,111	142,540	2,882	823	3,705
2014	69,711	75,900	145,611	2,842	674	3,516
2015	73,664	72,338	146,002	2,960	508	3,468
2016	74,415	68,497	142,912	2,247	326	2,573
2017	76,884	64,525	141,409	2,347	211	2,558
2018	78,036	56,219	134,255	587	91	678
2019	70,475	47,780	118,255	492	60	552
2020	75,225	43,442	118,667	402	35	437
2021	75,850	38,940	114,790	201	15	216
2022	69,200	34,441	103,641	13	3	16
2023	69,770	30,235	100,005			
2024	74,240	25,911	100,151			
2025	67,760	21,543	89,303			
2026	64,105	17,535	81,640			
2027	58,745	13,765	72,510			
2028	53,810	10,382	64,192			
2029	46,685	7,253	53,938			
2030	40,935	4,602	45,537			
2031	36,580	2,199	38,779			
2032	9,640	323	9,963			
2033	1,325	111	1,436			
TOTALS	<u>\$ 1,832,615</u>	<u>\$ 1,736,895</u>	<u>\$ 3,569,510</u>	<u>\$ 56,111</u>	<u>\$ 24,550</u>	<u>\$ 80,661</u>

Note 1: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by \$17.88 million. Of this amount \$23.71 million, representing the accretion to date of interest on deep discount bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2002-2010) in which the bonds mature. In addition, \$5.83 million, which is a deduction from bonds payable for the deferred amount on refundings is not reflected in the presentation above.

Note 2: Tennessee Local Development Authority Debt principal is more than that presented in the accompanying financial statements by \$1.552 million, which is a deduction from bonds payable for the deferred amount on refunding.

Note 3: Tennessee State School Bond Authority debt principal above is less than that presented in the accompanying financial statements by \$7.225 million. Of this amount \$9.814 million, representing the accretion to date of interest on deep discount bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2002-2010) in which the bonds mature. In addition, \$2.589 million, which is a deduction from bonds payable for the deferred amount on refundings is not reflected in the presentation above.

SCHEDULE 5

STATE SCHOOL BOND AUTHORITY DEBT (Note 3)			VETERANS' HOMES BOARD DEBT		
PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS	PRINCIPAL	INTEREST	TOTAL REQUIRE- MENTS
\$ 18,736	\$ 19,267	\$ 38,003	\$ 162	\$ 333	\$ 495
18,075	18,490	36,565	167	322	489
18,861	17,718	36,579	178	310	488
16,381	16,863	33,244	208	298	506
14,277	16,137	30,414	217	284	501
14,339	15,541	29,880	227	269	496
14,026	14,920	28,946	237	253	490
14,684	14,290	28,974	272	236	508
15,373	13,618	28,991	283	216	499
25,508	10,766	36,274	292	196	488
12,643	10,110	22,753	332	175	507
12,118	9,440	21,558	343	151	494
12,342	8,778	21,120	363	131	494
12,195	8,150	20,345	175	98	273
11,347	7,475	18,822	175	86	261
10,765	6,843	17,608	199	75	274
11,385	6,237	17,622	200	61	261
11,010	5,590	16,600	225	48	273
11,655	4,958	16,613	225	32	257
9,818	4,284	14,102	250	17	267
8,496	3,742	12,238			
8,981	3,274	12,255			
8,906	2,779	11,685			
9,450	2,261	11,711			
9,976	1,732	11,708			
6,376	1,181	7,557			
6,742	822	7,564			
3,656	439	4,095			
3,879	224	4,103			
<hr/>			<hr/>		
\$ 352,000	\$ 245,929	\$ 597,929	\$ 4,730	\$ 3,591	\$ 8,321

STATE OF TENNESSEE
 COMPONENT UNITS
 SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
 JUNE 30, 2001

SCHEDULE 6

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	REVENUE BONDS			
	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT	STATE SCHOOL BOND AUTHORITY	VETERANS' HOMES BOARD DEBT
2002	145,143	6,959	38,003	495
2003	147,144	6,958	36,565	489
2004	146,629	6,635	36,579	488
2005	151,736	6,562	33,244	506
2006	156,685	5,632	30,414	501
2007	156,938	5,169	29,880	496
2008	156,292	5,170	28,946	490
2009	143,319	5,174	28,974	508
2010	132,915	5,173	28,991	499
2011	132,552	5,067	36,274	488
2012	134,621	4,443	22,753	507
2013	142,540	3,705	21,558	494
2014	145,611	3,516	21,120	494
2015	146,002	3,468	20,345	273
2016	142,912	2,573	18,822	261
2017	141,409	2,558	17,608	274
2018	134,255	678	17,622	261
2019	118,255	552	16,600	273
2020	118,667	437	16,613	257
2021	114,790	216	14,102	267
2022	103,641	16	12,238	
2023	100,005		12,255	
2024	100,151		11,685	
2025	89,303		11,711	
2026	81,640		11,708	
2027	72,510		7,557	
2028	64,192		7,564	
2029	53,938		4,095	
2030	45,537		4,103	
2031	38,779			
2032	9,963			
2033	1,436			
TOTALS	\$ 3,569,510	\$ 80,661	\$ 597,929	\$ 8,321

STATE OF TENNESSEE
SCHEDULE OF OUTSTANDING DEBT
COMPONENT UNITS
FOR THE LAST FIVE FISCAL YEARS

SCHEDULE 7

(Expressed in Thousands)

	JUNE 30				
	1997	1998	1999	2000	2001
COMPONENT UNITS:					
CERTIFIED COTTON GROWERS NOTES				\$ 7,530	\$ 23,704
LOCAL DEVELOPMENT AUTHORITY NOTES	\$ 32,600	\$ 26,059	\$ 33,100	37,631	45,025
LOCAL DEVELOPMENT AUTHORITY BONDS	79,391	90,703	62,813	58,263	54,559
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	1,725,976	1,662,955	1,634,858	1,872,661	1,850,495
TENNESSEE HOUSING DEVELOPMENT AGENCY NOTES		47,755	65,235	31,180	84,865
VETERANS' HOMES BOARD BONDS	5,305	5,187	5,040	4,887	4,730
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	337,276	318,696	329,562	271,814	359,225
TENNESSEE STATE SCHOOL BOND AUTHORITY NOTES	42,095	91,750			
TENNESSEE STATE SCHOOL BOND AUTHORITY COMMERCIAL PAPER			162,050	102,700	60,277
	<u>2,222,643</u>	<u>2,243,105</u>	<u>2,292,658</u>	<u>2,386,666</u>	<u>2,482,880</u>
COLLEGE AND UNIVERSITY FUNDS:					
PLANT FUND NOTES					
UNIVERSITY OF TENNESSEE	107	89	70	51	31
BOARD OF REGENTS	4,313	3,595	3,295	498	324
PLANT FUND BONDS					
BOARD OF REGENTS	2,272	1,877	1,467	1,175	872
AGENCY FUND NOTES					
BOARD OF REGENTS	<u>2,317</u>	<u>328</u>	<u>2,256</u>	<u>1,280</u>	<u>474</u>
	<u>9,009</u>	<u>5,889</u>	<u>7,088</u>	<u>3,004</u>	<u>1,701</u>
TOTALS FOR COMPONENT UNITS	\$ <u>2,231,652</u>	\$ <u>2,248,994</u>	\$ <u>2,299,746</u>	\$ <u>2,389,670</u>	\$ <u>2,484,581</u>

STATISTICAL AND ECONOMIC DATA

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

TABLE I

STATE OF TENNESSEE
REVENUES BY SOURCE AND TRANSFERS IN
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

(Expressed in Thousands)

SOURCES	FOR THE YEAR ENDED JUNE 30									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAXES	\$ 4,987,883	\$ 5,645,879	\$ 5,789,672	\$ 6,149,459	\$ 6,421,892	\$ 6,787,680	\$ 7,163,455	\$ 7,413,808	\$ 7,997,058	\$ 8,112,402
LICENSES, FINES, FEES AND PERMITS	116,843	134,842	143,283	153,778	160,358	169,873	174,754	191,095	205,031	224,294
INTEREST ON INVESTMENTS	42,979	45,132	43,829	36,580	24,183	19,296	35,977	47,683	53,819	92,127
FEDERAL	3,611,351	3,867,457	3,976,016	4,209,340	4,335,071	4,636,905	4,831,199	5,124,273	5,537,353	6,184,126
DEPARTMENTAL SERVICES	648,413	742,552	921,221	1,198,117	1,258,672	1,034,678	1,129,859	1,282,634	1,512,483	1,748,165
OTHER	52,446	17,296	27,794	37,725	21,113	22,624	47,537	40,155	352,183	356,029
TRANSFERS IN	<u>122,610</u>	<u>539,831</u>	<u>510,289</u>	<u>495,467</u>	<u>485,767</u>	<u>580,618</u>	<u>545,432</u>	<u>565,885</u>	<u>472,275</u>	<u>567,901</u>
TOTAL REVENUES AND TRANSFERS IN- ALL GOVERNMENTAL FUND TYPES	<u>\$ 9,582,525</u>	<u>\$ 10,992,989</u>	<u>\$ 11,412,104</u>	<u>\$ 12,280,466</u>	<u>\$ 12,707,056</u>	<u>\$ 13,251,674</u>	<u>\$ 13,928,213</u>	<u>\$ 14,665,533</u>	<u>\$ 16,130,202</u>	<u>\$ 17,285,044</u>

Note: The Governmental Fund Types include General, Special Revenue, Debt Service, and Capital Projects.

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION AND TRANSFERS OUT
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

(Expressed in Thousands)

FUNCTION	FOR THE YEAR ENDED JUNE 30									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GENERAL GOVERNMENT	\$ 244,476	\$ 242,239	\$ 267,918	\$ 290,305	\$ 282,149	\$ 287,635	\$ 289,194	\$ 345,746	\$ 330,255	\$ 349,278
EDUCATION	1,648,673	1,916,196	2,087,013	2,283,546	2,368,196	2,535,513	2,731,599	2,859,303	2,947,577	3,059,538
HEALTH AND SOCIAL SERVICES	4,430,249	4,937,396	5,090,588	5,615,339	5,790,343	5,829,651	6,094,595	6,596,034	7,446,923	8,641,777
LAW, JUSTICE AND PUBLIC SAFETY	525,268	591,615	670,738	717,364	729,663	694,610	742,714	825,010	872,353	897,805
RECREATION AND RESOURCE DEVELOPMENT	239,070	274,829	335,484	355,166	365,586	385,673	372,119	382,614	429,389	419,423
REGULATION OF BUSINESS AND PROFESSIONS	27,092	29,917	31,149	34,922	36,919	41,598	41,402	46,346	49,325	57,988
TRANSPORTATION	930,735	871,901	878,547	1,003,796	1,023,381	1,079,683	1,145,536	1,164,776	1,271,170	1,269,773
STATE SHARED TAXES PAID TO LOCAL GOVERNMENTS	466,257	465,841	504,547	534,641	550,633	572,821	607,070	629,904	653,989	681,151
DEBT SERVICE	89,407	81,872	89,174	93,400	94,575	92,286	100,556	111,530	123,783	122,221
CAPITAL OUTLAY	103,276	53,258	124,978	164,059	98,335	79,769	121,651	105,889	70,866	55,679
TRANSFERS OUT	<u>873,048</u>	<u>1,353,442</u>	<u>1,367,157</u>	<u>1,471,327</u>	<u>1,518,869</u>	<u>1,651,160</u>	<u>1,563,095</u>	<u>1,693,625</u>	<u>1,619,425</u>	<u>1,748,989</u>
TOTAL EXPENDITURES AND TRANSFERS OUT - ALL GOVERNMENTAL FUND TYPES	<u>\$ 9,577,551</u>	<u>\$ 10,818,506</u>	<u>\$ 11,447,293</u>	<u>\$ 12,563,865</u>	<u>\$ 12,858,649</u>	<u>\$ 13,250,399</u>	<u>\$ 13,809,531</u>	<u>\$ 14,760,777</u>	<u>\$ 15,815,055</u>	<u>\$ 17,303,622</u>

Note: The Governmental Fund Types include General, Special Revenue, Debt Service, and Capital Projects.

TABLE III

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

(Expressed in Thousands)

TAX REVENUE	FOR THE YEAR ENDED JUNE 30									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SALES AND USE	\$ 2,550,413	\$ 2,734,802	\$ 3,070,109	\$ 3,475,229	\$ 3,681,461	\$ 3,904,964	\$ 4,099,928	\$ 4,346,209	\$ 4,600,658	\$ 4,643,337
SERVICES		562,971	299,232	513	424					
GASOLINE	518,595	504,441	537,419	543,170	551,347	558,629	579,162	584,249	576,640	569,422
MOTOR FUEL	98,765	104,320	109,003	120,876	125,177	125,397	131,632	140,887	152,771	173,418
PETROLEUM PRODUCTS	35,107	34,354	37,586	39,384	39,209	39,132	40,289	41,614	60,432	61,487
MOTOR VEHICLE REGISTRATION	147,100	155,669	165,514	179,319	184,790	183,643	195,665	201,166	218,583	211,592
INCOME	92,909	95,085	100,513	101,285	114,750	128,273	161,304	160,352	179,904	199,397
PRIVILEGE	139,217	151,697	169,532	173,087	186,595	200,143	211,443	234,004	252,020	268,840
GROSS RECEIPTS	112,807	113,485	113,151	122,047	119,418	127,078	127,929	129,612	138,371	141,545
ALCOHOLIC BEVERAGE	64,215	64,128	65,470	66,201	67,595	69,869	71,522	74,736	77,221	79,854
FRANCHISE	228,431	229,322	249,974	273,519	280,056	399,482	313,342	318,666	519,879	467,900
EXCISE	317,962	376,184	418,809	516,052	537,597	493,785	592,848	572,567	563,163	634,902
INHERITANCE AND ESTATE	38,624	58,885	44,476	55,665	60,356	58,970	121,847	83,198	94,704	89,676
TOBACCO	79,378	78,939	79,992	85,160	85,371	85,449	86,093	84,492	82,540	82,814
INSURANCE COMPANIES PREMIUMS	142,481	144,705	159,855	211,302	204,557	224,099	243,355	242,849	271,194	280,561
MEDICAID PROVIDER	360,602	177,055	105,833	115,263	110,853	115,755	118,885	117,366	116,190	115,909
OTHER	61,277	59,837	63,204	71,387	72,336	73,012	68,211	81,841	92,788	91,748
TOTAL TAX REVENUES- ALL GOVERNMENTAL FUND TYPES	\$ 4,987,883	\$ 5,645,879	\$ 5,789,672	\$ 6,149,459	\$ 6,421,892	\$ 6,787,680	\$ 7,163,455	\$ 7,413,808	\$ 7,997,058	\$ 8,112,402

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2001

Presented below is a brief description of the state's principal tax sources as shown in the preceding table.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, is the state's leading source of revenue. The current rate of 6.0% was made effective April 1992. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and certain services and, effective June 1, 1985, was extended to include most admission and amusement charges. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

SERVICES TAX - The services tax was enacted as of July 1, 1992. Vendors are taxed at a rate of 6.75% for services provided such as repairs to equipment, installation of equipment and certain other specific services. This act repeals the state and local use tax on services and amusements as well as exempting certain services from the tax altogether. The services tax expired December 31, 1993.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax was increased to 20 cents per gallon on July 1, 1989, and is charged on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax was imposed on the sale of diesel fuel and as of April 1, 1990 the current rate is 17 cents per gallon. Effective July 1, 1984, a tax was levied on motor vehicles powered by liquified gas at rates ranging from \$70 for passenger cars to \$114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee. Effective April 1, 1989, out of state residents are taxed at a rate of 14 cents per gallon for liquified gas.

SPECIAL PETROLEUM PRODUCTS TAX - The special Petroleum Products Tax (formerly Gasoline Inspection Fee) was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. The rate was 1 cent per gallon in 1989 and went to 1.4 cents per gallon on May 1, 1990 on volatile substances having certain gravity levels which are produced from petroleum, natural gas, oil shales, or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of motor vehicles. Vehicles for personal use are charged \$21.50. The fee for motorcycles is \$10.75. Motor freight vehicles are charged fees ranging from \$40.25 to \$1,302.75.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks, and interest on bonds, subject to an exemption of \$1,250 for individuals and \$2,500 for joint tax returns. Blind persons, pension trusts, profit-sharing trusts and qualifying low income persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer, mortgage taxes, marriage license fees, professional taxes and tire taxes.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms, and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of \$4.00 per gallon on distilled spirits and \$1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in business in the form of a corporation, Limited Liability Corporation and Limited Liability Partnership in the state. The tax is levied at the rate of \$.25 per \$100 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% on annual net earnings or the larger of stock or real and tangible property from business corporations, co-operatives conducted for profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally, the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The tax applies to all property, real and personal, with certain exemptions.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13 cents per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies, 2% for foreign life insurance companies, 2.5% for property and casualty insurance companies and 4% workers compensation premiums.

MEDICAID PROVIDER TAX - The Hospital Medicaid Provider Tax has been in effect since July 1, 1989. The tax is directly proportional to the hospital's Medicaid utilization rate, low income utilization rate, or large volume of Medicaid days per year. The Nursing Home Medicaid Provider Tax, which has been in effect since July 1, 1990, is based on the number of licensed beds physically located in the state.

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

TABLE IV

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	TOTAL (NOTE)	<u>GENERAL LONG-TERM DEBT</u>		<u>NET GENERAL LONG-TERM DEBT</u>	
				LESS DEBT SERVICE FUND	NET	RATIO TO ASSESSED VALUE	PER CAPITA
1992	5,020	44,672,000	570,845	7,229	563,616	1.26%	112.27
1993	5,094	49,593,000	599,653	5,399	594,254	1.20%	116.66
1994	5,176	51,686,000	632,506	4,336	628,170	1.22%	121.36
1995	5,256	53,915,000	669,061	5,217	663,844	1.23%	126.30
1996	5,327	56,072,000	712,020	961	711,059	1.27%	133.48
1997	5,398	61,648,000	881,983	4,531	877,452	1.42%	162.55
1998	5,470	71,292,000	919,670	4,356	915,314	1.28%	167.33
1999	5,524	75,561,000	1,073,097	1,335	1,071,762	1.42%	194.02
2000	5,750	78,568,000	1,068,019	2,750	1,065,269	1.36%	185.26
2001	5,985 (EST)	81,687,150 (EST)	1,139,224	3,407	1,135,817	1.39%	189.78

NOTE: Total General Long-term debt does not include State Loan Program and Facilities Revolving Fund
General Obligation Bonds, Notes and Commercial Paper as follows:

<u>YEAR</u>	<u>BONDS, NOTES AND COMMERCIAL PAPER</u>
1992	124,106
1993	120,422
1994	209,422
1995	232,276
1996	210,684
1997	208,006
1998	212,239
1999	190,604
2000	184,549
2001	177,445

These obligations are reported as debt of those enterprises in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 2001

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (2001 PLEDGED REVENUES OF \$802,023/150%)	\$ 534,682
LESS - 2001 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM AND FACILITIES REVOLVING FUND GENERAL OBLIGATION BONDS	<u>131,593</u>
LEGAL DEBT SERVICE MARGIN	<u>\$ 403,089</u>

	<u>COLLECTIONS FOR FISCAL YEAR 2001</u>		<u>PLEDGED AMOUNT</u>
	<u>PORTION PLEDGED</u>	<u>ALL GOVERNMENTAL FUND TYPES</u>	
CALCULATION OF 2001 PLEDGED REVENUES AS ABOVE:			
GASOLINE TAX	29.3 %	\$ 569,421	\$ 166,840
PETROLEUM PRODUCTS FEE	ALL	61,487	61,487
MOTOR VEHICLE REGISTRATION FEE	ONE-HALF	211,592	105,796
FRANCHISE TAX	ALL	<u>467,900</u>	<u>467,900</u>
TOTALS		\$ <u>1,310,400</u>	\$ <u>802,023</u>

NOTE: Pledged revenues for the last five years are shown below:

<u>FISCAL YEAR</u>	<u>PLEDGED REVENUES</u>	<u>PERCENT INCREASE (DECREASE)</u>
1997	694,114	21.1
1998	621,159	(10.5)
1999	632,040	1.8
2000	870,302	37.7
2001	802,023	(7.8)

TABLE VI

STATE OF TENNESSEE
 RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
 LONG-TERM DEBT TO TOTAL EXPENDITURES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except for Ratio Data)

<u>FOR THE YEAR ENDED JUNE 30</u>	<u>DEBT SERVICE</u>	<u>TOTAL EXPENDITURES</u>	<u>RATIO</u>
1992	\$ 89,407	\$ 8,238,246	1.09
1993	81,872	8,999,223	0.91
1994	89,174	9,575,589	0.93
1995	93,400	10,557,897	0.88
1996	94,575	10,789,147	0.88
1997	92,286	11,026,418	0.84
1998	100,556	11,639,366	0.86
1999	111,530	12,437,248	0.89
2000	123,783	13,541,641	0.91
2001	122,221	15,554,633	0.79

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COMPONENT UNITS
TENNESSEE HOUSING DEVELOPMENT AGENCY FUND
FOR THE LAST TEN YEARS

(Expressed in Thousands except for Coverage)

<u>FOR THE YEAR ENDED JUNE 30</u>	<u>DEDICATED REVENUES</u>	<u>RELATED EXPENSES</u>	<u>NET AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENTS</u>	<u>COVERAGE</u>
1992	\$ 182,335	\$ 4,970	\$ 177,365	\$ 155,042	1.14
1993	163,360	4,908	158,452	147,888	1.07
1994	137,447	4,567	132,880	115,380	1.15
1995	133,765	4,518	129,247	106,750	1.21
1996	141,056	4,779	136,277	113,969	1.20
1997	197,309	5,041	192,268	162,327	1.18
1998	332,821	4,784	328,037	294,861	1.11
1999	308,454	4,843	303,611	271,574	1.12
2000	248,647	5,836	242,811	208,377	1.17
2001	257,258	6,070	251,188	218,726	1.15

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands except for Coverage)

<u>FOR THE YEAR ENDED JUNE 30</u>	<u>FEES AND CHARGES</u>	<u>TENNESSEE STATE SCHOOL BOND AUTHORITY</u>	<u>OTHER THAN AUTHORITY</u>	<u>TOTAL</u>	<u>COVERAGE</u>
1992	\$ 688,992	\$ 26,941	\$ 551	\$ 27,492	25.1
1993	744,791	30,294	568	30,862	24.1
1994	782,382	30,385	512	30,897	25.3
1995	790,912	30,894	504	31,398	25.2
1996	817,675	30,858	503	31,361	26.1
1997	857,538	30,526	275	30,801	27.8
1998	892,609	38,166	272	38,438	23.2
1999	957,451	38,155	201	38,356	25.0
2000	767,749	35,470	784	36,254	21.2
2001	811,154	33,454	498	33,952	23.9

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 451,181	\$ 237,290	\$ 55	\$ 23,371
1993	469,932	304,279	58	24,560
1994	497,370	322,443	21	21,245
1995	555,363	359,941	21	21,692
1996	563,302	369,853	21	21,749
1997	587,138	374,249	21	26,891
1998	592,661	367,938	21	28,657
1999	622,109	373,207	21	24,431
2000	410,086	375,872	21	16,872
2001	401,918	408,671	21	18,628

AUSTIN PEAY UNIVERSITY

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 15,523	\$ 16,609	\$ 31	\$ 597
1993	16,776	19,791	27	540
1994	17,785	22,064	41	540
1995	17,722	24,610	48	535
1996	18,235	25,209	48	535
1997	19,178	25,733	48	641
1998	20,420	25,559	48	672
1999	23,188	27,444	48	651
2000	24,288	28,001	48	649
2001	26,555	28,051	48	649

EAST TENNESSEE STATE UNIVERSITY

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 28,271	\$ 50,372		\$ 1,688
1993	29,830	55,568		1,659
1994	30,825	59,911		1,661
1995	46,563	65,530		1,636
1996	49,502	67,549		1,636
1997	53,232	68,469		1,597
1998	57,826	67,202		1,588
1999	64,652	70,814		1,743
2000	64,386	72,837	\$ 258	1,954
2001	59,516	75,937	261	1,916

UNIVERSITY OF MEMPHIS

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 61,299	\$ 69,753		\$ 1,452
1993	60,375	77,614		2,369
1994	60,537	82,765		2,450
1995	67,576	88,120		2,444
1996	72,587	90,400		2,451
1997	75,167	91,212		2,889
1998	80,625	89,924		2,991
1999	93,593	93,576		3,054
2000	102,186	94,289		2,353
2001	97,499	114,031		3,777

MIDDLE TENNESSEE STATE UNIVERSITY

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 34,165	\$ 42,595		\$ 1,191
1993	38,140	48,948		1,177
1994	41,194	54,830		1,177
1995	49,083	60,371		1,164
1996	54,128	61,920		1,166
1997	57,341	63,529		1,668
1998	62,814	64,469		1,872
1999	70,530	70,576		3,357
2000	78,317	73,273		4,886
2001	86,328	76,159		5,472

TENNESSEE STATE UNIVERSITY

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 17,961	\$ 23,491	\$ 135	\$ 1,111
1993	19,973	26,280	137	1,111
1994	21,084	28,067	135	1,111
1995	26,481	30,567	135	1,015
1996	31,231	31,477	135	1,100
1997	34,352	32,227	135	1,157
1998	39,141	32,052	135	1,257
1999	46,423	35,597	66	1,470
2000	52,156	36,337	66	2,056
2001	54,979	34,843	66	2,193

TENNESSEE TECHNOLOGICAL UNIVERSITY

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 22,809	\$ 29,783		\$ 957
1993	23,747	33,142		1,162
1994	24,288	35,358		1,181
1995	26,204	37,473		1,178
1996	26,110	38,452		1,173
1997	27,208	38,164		1,150
1998	28,831	37,699		1,145
1999	31,616	39,259		1,075
2000	33,791	38,938		844
2001	37,065	43,568		639

ROANE STATE COMMUNITY COLLEGE

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 4,039	\$ 9,356		
1993	4,423	10,956		
1994	4,744	12,076		
1995	5,418	13,177		
1996	5,349	13,509		
1997	5,878	13,649		
1998	6,268	13,441		
1999	6,940	14,254		
2000	7,565	14,879	\$ 33	
2001	7,697	15,524	33	

WALTERS STATE COMMUNITY COLLEGE

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 3,572	\$ 8,077		
1993	3,955	9,841		
1994	4,091	10,921		
1995	6,420	12,018		
1996	6,595	12,308		
1997	7,236	12,658		
1998	8,073	13,132		
1999	8,408	14,265		
2000	8,983	14,767	\$ 286	
2001	10,170	15,173		

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	\$ 6,409	\$ 12,684		
1993	7,186	14,961	\$ 37	
1994	7,222	16,435	74	
1995	7,961	17,822	71	
1996	8,701	18,284	74	
1997	9,032	18,514	71	
1998	9,818	18,589	68	
1999	10,453	19,602	69	
2000	11,074	20,234	72	
2001	11,650	20,684	69	\$ 34

SOUTHWEST TECHNICAL COMMUNITY COLLEGE

FISCAL YEAR	TOTAL FEES AND CHARGES	LEGISLATIVE APPROPRIATIONS	PRIOR AND SUBORDINATE DEBT SERVICE REQUIREMENTS (NON-AUTHORITY)	DEBT SERVICE REQUIREMENTS (AUTHORITY BONDS)
1992	6,674	12,990		
1993	7,428	14,947		
1994	7,967	16,289		
1995	8,334	17,549		
1996	8,641	17,988		
1997	8,876	18,174		
1998	9,368	17,898		
1999	9,991	18,527		\$ 56
2000	10,838	18,464		146
2001	17,777	34,451		146

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

The economic future for Tennessee remains bright. Characteristics of the state which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity, right-to-work laws and low unionization, as well as access to markets and pro-business attitude of the state. Other factors include relatively inexpensive energy, plentiful natural resources and sun-belt location. Tennessee's gross state product as a percentage of gross domestic product increased from 1.70% in 1991 to 1.79% in 2000, and personal income was 1.70% in 1991 and 1.79% in 2000.

(Expressed in Millions)

<u>YEAR</u>	<u>GROSS STATE PRODUCT</u>	<u>PERSONAL INCOME</u>	<u>DISPOSABLE PERSONAL INCOME</u>
1991	\$ 102,028	\$ 86,582	\$ 78,370
1992	111,831	94,465	85,500
1993	119,685	100,394	90,814
1994	129,541	106,855	96,329
1995	136,628	114,260	102,796
1996	141,812	119,287	106,568
1997	150,728	125,449	111,632
1998	159,575	133,514	119,386
1999	168,042	140,234	123,919
2000	179,083 (EST)	148,433 (EST)	130,881 (EST)

TENNESSEE GROSS STATE PRODUCT BY SECTOR

(Expressed in Millions)

	<u>1990</u>	<u>1995</u>	<u>2000 (EST)</u>	<u>SECTOR AS PERCENTAGE OF 2000 TOTAL</u>
MANUFACTURING	\$23,099	\$32,370	\$35,299	19.7%
CONSTRUCTION	3,711	5,398	7,581	4.2%
MINING	439	357	434	0.2%
TRADE	17,091	24,691	32,715	18.3%
SERVICES	17,322	27,079	38,021	21.2%
FINANCE, INSURANCE AND REAL ESTATE	11,925	17,834	27,332	15.3%
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	7,460	10,916	14,517	8.1%
FEDERAL GOVERNMENT	4,338	5,275	6,720	3.8%
STATE & LOCAL GOVERNMENT	8,262	11,136	14,558	8.1%
AGRICULTURE	1,366	1,574	1,905	1.1%
TOTAL GROSS STATE PRODUCT	<u>\$95,013</u>	<u>\$136,630</u>	<u>\$179,082</u>	<u>100.0%</u>

* Except as otherwise noted, the source for all economic information presented is An Economic Report to the Governor of the State of Tennessee on the State's Economic Outlook 2001 developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville. The source for disposable income is the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR

	<u>1990</u>	<u>1995</u>	<u>2000 (EST)</u>	<u>PERCENTAGE CHANGE (From 1990 to 2000)</u>
MANUFACTURING	\$23,968	\$29,394	\$35,581	48.5%
CONSTRUCTION	23,205	27,804	36,476	57.2%
MINING	28,984	35,400	42,149	45.4%
TRADE	15,800	19,405	24,277	53.7%
SERVICES	20,842	24,464	29,604	42.0%
FINANCE, INSURANCE AND REAL ESTATE	24,671	32,033	43,254	75.3%
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	28,868	32,941	39,116	35.5%
FEDERAL GOVERNMENT	32,539	40,953	44,826	37.8%
STATE & LOCAL GOVERNMENT	19,395	23,275	26,948	38.9%
AGRICULTURE	7,788	9,807	12,071	55.0%
AVERAGE ALL SECTORS	\$22,606	\$27,548	\$33,430	47.9%

TENNESSEE EMPLOYMENT BY SECTOR

(Expressed in Thousands)

	<u>1990</u>	<u>1995</u>	<u>2000 (EST)</u>	<u>PERCENTAGE CHANGE (From 1990 to 2000)</u>
MANUFACTURING	520.3	538.6	506.3	-2.7%
CONSTRUCTION	92.4	108.8	128.5	39.1%
MINING	6.2	4.6	4.2	-32.3%
TRADE	517.2	585.5	637.8	23.3%
SERVICES	486.3	638.0	732.4	50.6%
FINANCE, INSURANCE AND REAL ESTATE	103.1	111.6	131.1	27.2%
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	116.4	138.6	173.0	48.6%
FEDERAL GOVERNMENT	63.6	54.4	57.2	-10.1%
STATE & LOCAL GOVERNMENT	287.8	318.8	344.9	19.8%
AGRICULTURE	15.7	12.6	12.1	-22.9%
TOTAL ALL SECTORS	<u>2,209.0</u>	<u>2,511.5</u>	<u>2,727.5</u>	23.5%

MANUFACTURING

Manufacturing investment in Tennessee totaled \$5.0 billion in 2000, marking the eighteenth consecutive billion dollar year for the state. The combined new plant and expansion projects announced are expected to create 27,013 new job opportunities. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT

(Expressed in Millions)

	1990	1995	2000 (EST)	PERCENTAGE CHANGE (FROM 1990 TO 2000)
DURABLES:				
FURNITURE & FIXTURES	\$ 718	\$ 894	\$ 1,130	57.4%
FABRICATED METALS	2,091	2,733	3,508	67.8%
NONELECTRICAL MACHINERY	1,922	2,228	3,392	76.5%
ELECTRICAL MACHINERY	1,716	2,115	2,088	21.7%
TRANSPORTATION EQUIPMENT	1,383	5,086	5,593	304.4%
OTHER	3,268	4,621	6,020	84.2%
TOTAL DURABLES	11,098	17,677	21,731	95.8%
NONDURABLES:				
FOOD	2,617	3,412	3,100	18.5%
TEXTILES	604	566	683	13.1%
APPAREL	1,418	1,257	631	-55.5%
PAPER	1,257	1,554	1,615	28.5%
PRINTING & PUBLISHING	1,332	1,468	1,824	36.9%
CHEMICALS	3,077	4,251	2,991	-2.8%
RUBBER & PLASTICS	1,163	1,739	2,102	80.7%
OTHER	534	447	621	16.3%
TOTAL NONDURABLES	12,002	14,694	13,567	13.0%
TOTALS	\$ 23,100	\$ 32,371	\$ 35,298	52.8%

TENNESSEE MANUFACTURING EMPLOYMENT

(Expressed in Thousands)

	1990	1995	2000 (EST)	PERCENTAGE CHANGE (FROM 1990 TO 2000)
DURABLES:				
FURNITURE & FIXTURES	27.1	29.5	27.3	0.7%
FABRICATED METALS	43.2	45.6	46.0	6.5%
NONELECTRICAL MACHINERY	38.1	43.4	50.2	31.8%
ELECTRICAL MACHINERY	37.3	40.3	40.1	7.5%
TRANSPORTATION EQUIPMENT	39.4	52.5	55.5	40.9%
OTHER	73.3	76.5	80.8	10.2%
TOTAL DURABLES	258.4	287.8	299.9	16.1%
NONDURABLES:				
FOOD	38.8	36.8	38.8	
TEXTILES	20.8	20.8	15.8	-24.0%
APPAREL	64.2	52.2	22.6	-64.8%
PAPER	21.4	22.1	21.9	2.3%
PRINTING & PUBLISHING	37.6	39.5	38.3	1.9%
CHEMICALS	39.7	37.6	28.3	-28.7%
RUBBER & PLASTICS	28.1	33.8	35.5	26.3%
OTHER	11.4	8.0	5.2	-54.4%
TOTAL NONDURABLES	262.0	250.8	206.4	-21.2%
TOTALS	520.4	538.6	506.3	-2.7%

INDUSTRIAL GROWTH IN TENNESSEE

NEW PLANTS AND EXPANSIONS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
NUMBER:										
NEW	76	72	60	81	80	105	80	63	80	66
EXPANSIONS	424	957	1,013	886	864	703	961	1,290	1,041	1,065
	500	1,029	1,073	967	944	808	1,041	1,353	1,121	1,131
INVESTMENT										
(In Thousands):										
NEW	\$578,596	\$210,362	\$178,234	\$694,517	\$1,005,577	\$571,098	\$463,844	\$270,164	\$754,807	\$539,320
EXPANSION	827,082	1,917,229	1,875,672	1,787,295	2,254,233	3,232,541	2,400,932	3,035,618	2,960,216	4,413,085
	\$1,405,678	\$2,127,591	\$2,053,906	\$2,481,812	\$3,259,810	\$3,803,639	\$2,864,776	\$3,305,782	\$3,715,023	\$4,952,405
JOB OPPORTUNITIES:										
NEW	4,831	4,534	5,515	9,538	4,862	8,588	4,904	3,310	6,410	5,636
EXPANSIONS	10,880	20,030	18,306	16,779	12,485	14,321	14,639	19,793	20,256	21,377
	15,711	24,564	23,821	26,317	17,347	22,909	19,543	23,103	26,666	27,013

TOP FIFTY TENNESSEE COMPANIES

(Ranked by Number of Employees in Tennessee)

COMPANY	NUMBER OF EMPLOYEES	COMPANY	NUMBER OF EMPLOYEES
1. WAL-MART ASSOCIATES, INC.	32,000	26. BLUE CROSS BLUE SHIELD OF TN	4,300
2. FEDERAL EXPRESS INC.	30,000	27. UT-BATTELLE (RESEARCH)	4,200
3. KROGER LIMITED PARTNERSHIP, INC.	15,500	28. NATIONAL HEALTH CORP.	4,100
4. VANDERBILT UNIVERSITY /HOSPITAL	13,700	29. GOODYEAR TIRE & RUBBER COMPANY	4,100
5. EASTMAN CHEMICAL COMPANY	11,100	30. CENTENNIAL MEDICAL CENTER (HCA)	4,032
6. UNITED PARCEL SERVICE	8,600	31. THE GAP, INC.	4,000
7. SATURN CORPORATION	8,400	32. FOOD LION, INC	3,900
8. METHODIST HEALTH CARE MEMPHIS	7,900	33. BI-LO LP	3,700
9. U. S. XPRESS, INC.	7,300	34. BRIDGESTONE/FIRESTONE CORPORATION	3,700
10. NISSAN MOTOR MFG. CORP. USA	6,300	35. UNION PLANTERS BANK NATIONAL ASSOC.	3,700
11. SEARS ROEBUCK AND COMPANY	6,200	36. M S CARRIERS INC.	3,600
12. NEW GAYLORD ENTERTAINMENT CO	6,100	37. WELLMONT HEALTH SYSTEM	3,600
13. K-MART CORPORATION	5,900	38. WALGREEN CO.	3,600
14. RANDSTAD STAFFING SVCS, USA INC.	5,900	39. CONNECTICUT GENERAL LIFE INSURANCE	3,600
15. BELL SOUTH TELECOMMUNICATIONS INC.	5,800	40. LOWE'S HOME CENTERS INC.	3,600
16. FIRST TENNESSEE BANK	5,700	41. TN LIMITED PARTNERS	3,400
17. UT-BATTELLE (FACILITIES SUPPORT SERVICES	5,500	42. INTERNATIONAL PAPER CO.	3,400
18. HCA - THE HEALTHCARE CO	4,998	43. HOME DEPOT CO.	3,400
19. J. C. PENNY CO. INC.	4,900	44. ST. THOMAS HOSPITAL	3,300
20. BAPTIST MEMORIAL HOSPITAL	4,900	45. MCKEE FOODS CORP.	3,300
21. CARSON PIRIE HOLDINGS (SAKS)	4,900	46. STAFFMARK INC.-NASHVILLE	3,300
22. CRACKER BARREL OLD COUNTRY STORES	4,700	47. MAYTAG CORPORATION	3,300
23. AMSOUTH BANCORP	4,600	48. E. I. DUPONT DE NEMOURS & CO.	3,300
24. COVENANT TRANSPORT INC.	4,400	49. CARRIER CORP. (COLLIERVILLE)	3,200
25. K-VA-T FOOD STORES INC.	4,400	50. HARDEE'S FOOD SYSTEMS, INC.	3,200

SOURCES: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS

(Expressed in Millions)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (EST)
CROPS	\$901.7	\$1,092.0	\$1,063.9	\$1,199.9	\$1,227.8	\$1,374.1	\$1,245.2	\$1,166.1	\$956.5	\$1,029.9
MEAT ANIMALS	586.4	542.5	482.3	498.4	420.2	463.0	485.4	435.7	423.1	477.4
DAIRY PRODUCTS	239.1	260.8	250.2	247.4	239.4	253.6	225.6	236.9	222.8	193.2
POULTRY AND EGGS	159.8	166.2	199.8	197.0	203.4	251.7	256.8	306.1	294.5	258.4
	<u>\$1,887.0</u>	<u>\$2,061.5</u>	<u>\$1,996.2</u>	<u>\$2,142.7</u>	<u>\$2,090.8</u>	<u>\$2,342.4</u>	<u>\$2,213.0</u>	<u>\$2,144.8</u>	<u>\$1,896.9</u>	<u>\$1,958.9</u>

POPULATION AND EMPLOYMENT TREND

The state's population has grown steadily in recent history by over one-half of 1% per year.

(Expressed in Thousands except Unemployment Rates)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (EST)
POPULATION	4,951	5,020	5,094	5,176	5,256	5,327	5,398	5,470	5,524	5,750
AVERAGE LABOR FORCE	2,421	2,455	2,500	2,663	2,712	2,759	2,708	2,760	2,819	2,798
AVERAGE TOTAL EMPLOYMEN	2,258	2,298	2,357	2,536	2,571	2,623	2,562	2,644	2,705	2,688
AVERAGE UNEMPLOYMENT	163	158	144	127	141	136	146	116	114	110
TN UNEMPLOYMENT RATE	6.7%	6.4%	5.7%	4.8%	5.2%	5.2%	5.4%	4.2%	4.0%	3.9%
U.S. UNEMPLOYMENT RATE	6.8%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%

BANK DEPOSITS, SALES AND EFFECTIVE BUYING INCOME

(Expressed in Millions)

(Expressed
in Thousands)

<u>YEAR</u>	<u>BANK DEPOSITS</u>	<u>SALES</u>	<u>EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD</u>
1991	\$ 41,339	\$ 42,650	\$ 27.0
1992	44,105	45,473	28.5
1993	46,596	49,112	30.1
1994	48,531	53,778	31.8
1995	52,321	57,943	29.1
1996	57,219	60,689	39.4
1997	54,302	66,079	31.5
1998	76,542	66,389	32.0
1999	64,966	72,341	33.6
2000	62,113	75,542	34.6

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

<u>YEAR</u>	<u>VALUATION</u>	<u>YEAR</u>	<u>VALUATION</u>
1991	\$1,358,758	1996	\$3,334,419
1992	1,779,702	1997	3,103,939
1993	2,171,097	1998	3,613,835
1994	2,538,773	1999	3,835,303
1995	2,838,290	2000	3,377,629

SOURCE: The Tennessee Econometric Model, Tennessee Department of Labor and Workforce Development Labor Summary, Sales and Marketing Management, U.S. Bureau of the Census Construction Reports, Tennessee Agricultural Statistics service Cash Receipts Estimates, and Tennessee Department of Financial Institutions Annual Report.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

<u>YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>APPRAISED/ ESTIMATED CURRENT VALUE</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA INCOME</u>
1991	4,951	43,109,000	161,366,000	86,582,000	17.5
1992	5,020	44,672,000	162,609,000	94,465,000	18.8
1993	5,094	49,593,000	170,264,000	100,394,000	19.7
1994	5,176	51,686,000	176,895,000	106,855,000	20.6
1995	5,256	53,915,000	191,993,000	114,260,000	21.7
1996	5,327	56,072,000	207,352,000	119,287,000	22.4
1997	5,398	61,648,000	228,083,000	125,449,000	23.2
1998	5,470	71,292,000	249,897,000	133,514,000	24.4
1999	5,524	75,561,000	270,007,000	140,234,000	25.4
2000	5,750	78,568,000 (EST)	290,633,000 (EST)	148,433,000 (EST)	25.8

PUBLIC SCHOOL ENROLLMENT GRADES K-12

<u>ACADEMIC YEAR</u>	<u>GRADES K-3</u>	<u>GRADES 4-6</u>	<u>GRADES 7-9</u>	<u>GRADES 10-12</u>	<u>TOTAL K-12</u>
1991-92	285,071	207,836	208,853	170,553	872,313
1992-93	287,687	210,294	213,561	174,909	886,451
1993-94	294,876	212,082	219,896	177,743	904,597
1994-95	300,440	213,703	222,982	179,552	916,677
1995-96	308,006	215,579	225,154	180,969	929,708
1996-97	316,094	217,823	226,287	183,852	944,056
1997-98	320,784	221,651	227,097	187,172	956,704
1998-99	314,781	221,913	226,859	187,313	950,866
1999-2000	317,830	232,230	232,616	191,050	973,726
2000-2001	311,184	234,407	230,094	190,849	966,534

HIGHER EDUCATION ENROLLMENT

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
UNIVERSITIES:										
AUSTIN PEAY STATE	5,440	5,709	5,992	5,740	5,763	6,072	5,968	5,816	5,721	5,671
EAST TENNESSEE STATE	9,782	9,667	9,321	9,312	9,355	9,450	9,549	9,792	9,638	9,364
MIDDLE TENNESSEE STATE	13,346	14,239	14,629	14,226	14,504	14,916	15,455	15,655	16,173	16,339
TENNESSEE STATE	5,802	5,957	6,110	6,438	6,787	7,007	7,168	7,383	7,629	7,431
TENNESSEE TECHNOLOGICAL	7,071	7,473	7,472	7,353	7,303	7,230	7,287	7,112	7,227	7,212
UNIVERSITY OF MEMPHIS*	15,421	15,254	15,317	15,177	15,495	15,001	15,452	15,771	15,909	15,613
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	6,216	6,375	6,515	6,438	6,540	6,608	6,816	7,040	7,019	6,832
KNOXVILLE	21,793	22,065	21,696	21,575	21,454	21,528	21,819	22,476	23,277	22,960
MARTIN	5,210	5,333	5,313	5,308	5,497	5,376	5,607	5,480	5,278	5,324
TOTAL UNIVERSITIES	90,081	92,072	92,365	91,567	92,698	93,188	95,121	96,525	97,871	96,746
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH	5,107	5,369	5,214	5,144	4,982	5,427	5,227	5,140	5,038	4,832
CLEVELAND STATE	2,137	2,234	2,151	1,929	2,204	2,111	2,376	2,176	2,158	2,083
COLUMBIA STATE	2,177	2,361	2,255	2,331	2,501	2,639	2,820	2,947	2,906	2,788
DYERSBURG STATE	1,357	1,289	1,357	1,380	1,373	1,531	1,533	1,522	1,435	1,563
JACKSON STATE	2,159	2,188	2,143	2,088	2,155	2,223	2,328	2,416	2,548	2,514
MOTLOW STATE	2,013	2,150	2,117	2,133	2,077	2,116	2,287	2,273	2,221	2,199
NORTHEAST STATE TECH	2,058	2,222	2,288	2,372	2,314	2,459	2,422	2,513	2,601	2,607
PELLISSIPPI STATE TECH	4,818	5,098	4,941	4,866	4,768	5,003	5,217	5,258	5,080	5,079
ROANE STATE	3,589	3,848	3,713	3,614	3,591	3,688	3,720	3,675	3,797	3,474
SOUTHWEST TENNESSEE**	9,178	9,755	9,945	9,416	9,019	8,640	7,852	7,359	7,338	7,059
VOLUNTEER STATE	3,046	3,369	3,611	3,783	3,904	4,129	4,236	4,198	4,107	4,138
WALTERS STATE	3,357	3,542	3,520	3,602	3,507	3,731	3,807	3,666	3,594	3,665
TOTAL COMMUNITY COLLEGES	40,996	43,425	43,255	42,658	42,395	43,697	43,825	43,143	42,823	42,001
TOTAL ALL INSTITUTIONS	131,077	135,497	135,620	134,225	135,093	136,885	138,946	139,668	140,694	138,747

* Effective July 1, 1994 Memphis State University became University of Memphis

** Effective July 1, 2000 State Technical Institute at Memphis and Shelby State Community College were consolidated to form Southwest Tennessee Community College

SOURCES: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.

INDEX TO SECURITIES AND EXCHANGE COMMISSION (SEC) DISCLOSURES

<u>General Obligation Debt:</u>	<u>Page #</u>
Collections of Special Taxes	68
Total Sales and Use Tax Collections	182
Allocation of Sales and Use Tax to Debt Service	110
General Obligation Bonds Outstanding, and Authorized and Unissued	45
General Obligation Commercial Paper Outstanding	175
General Obligation Bonds Outstanding by Fiscal Year of Maturity	173
Outstanding Indebtedness of State Agencies and Authorities	46-51 173-179
Revenues by Source - All Governmental Fund Types	181
Expenditures by Function - All Governmental Fund Types	181
Tax Revenues by Source - All Governmental Fund Types	182
Ratio of General Long-Term Debt to Assessed Value and Net Debt Per Capita	184
Computation of Legal Debt Service Margin	184
Ratio of Annual Debt Service for General Long-Term Debt to Total Expenditures - All Governmental Fund Types	185
Schedule of Revenue Bond Coverage - Tennessee Housing Development Agency Fund	185
Schedule of Revenue Bond Coverage - College and University Funds	185
 <u>Tennessee State School Bond Authority:</u>	 <u>Page #</u>
Outstanding Bonds	47
Student Fees and Charges by Institution	186
Schedules of Outstanding Debt by Institution	186
Total Equated Full-Time Student Enrollment by Institution	193
Schedule of Fees/Charges, Legislative Appropriations and Debt Service by Institution	186